

Supreme Court, U.S.
FILED

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ALEXANDER L. STEVENS
CLERK

No. 83-6264

IN THE SUPREME COURT OF THE
UNITED STATES

October Term, 1983

WILLIS W. CHAPMAN,
Appellant,

v.

MICHIGAN NATIONAL BANK OF DETROIT,
a National Banking Association,

MICHIGAN NATIONAL CORPORATION,
a Registered Bank Holding Company, Appellees.

On Appeal From the United States Court of
Appeals for the Sixth Circuit

MOTION OF APPELLEES TO DISMISS OR AFFIRM

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Michigan National Corporation

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DESIGNATION OF CORPORATE RELATIONSHIPS

Michigan National Corporation and Michigan National Bank of Detroit, filing this Motion to Affirm or Dismiss as Appellees in this proceeding, state that:

1. This is the original Designation of Corporate Relationships.
2. Michigan National Corporation is not owned by any parent corporation.
3. Michigan National Corporation is the parent of Michigan National Bank of Detroit.
4. Michigan National Bank (of Lansing) is the subsidiary of Michigan National Corporation. Michigan National Corporation does not have an ownership interest in any other subsidiaries, except wholly owned subsidiaries.
5. Michigan National Bank of Detroit does not have an ownership interest in any subsidiaries.
6. Michigan National Corporation does not have any affiliates.
7. Michigan National Bank of Detroit has the following affiliates: Michigan National Bank; Michigan National Bank-Ann Arbor; Michigan National Bank-Central; Michigan National Bank-Dearborn; Michigan National Bank-Farmington; Michigan National

Bank-Grand Traverse; Michigan National Bank-Grosse Pointes; Michigan National Bank of Macomb; Michigan National Bank-Michiana; Michigan National Bank-Midland; Michigan National Bank-Mid Michigan; Michigan National Bank-North; Michigan National Bank-North Metro; Michigan National Bank-Oakland; Michigan National Bank-South Metro; Michigan National Bank-Sterling; Michigan National Bank-Valley; Michigan National Bank-West; Michigan National Bank-West Metro; Michigan National Bank-West Oakland; Michigan Bank-Huron; Michigan Bank-Livingston; Michigan Bank-Mid South; Michigan Bank-Midwest; Michigan Bank-Port Huron; Michigan National Brokerage Services; Michigan National Investment Corporation; Michigan National Leasing Corporation; Colorado Leasing & Capital Division; Florida Leasing & Capital Corporation; MNC-Western Leasing & Capital Corporation; MNC National Mortgage Corporation; Electronic Systems and Operations; and Electronic Services and Products.

Dated: March 7, 1984

IN THE SUPREME COURT OF THE
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October Term, 1983

WILLIS W. CHAPMAN,
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v.

MICHIGAN NATIONAL BANK OF DETROIT,
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MOTION OF APPELLEES TO DISMISS OR AFFIRM

The Appellees Michigan National Bank of Detroit and Michigan National Corporation respectfully move to dismiss or affirm the judgment of the United States Court of Appeals for the Sixth Circuit on the grounds that this Court does not have jurisdiction and the question presented is so unsubstantial as not to need further argument. Sup. Ct. R. 16.1(a), (c) and (d).

STATUTES INVOLVED

42 U.S.C. §1981 (1981), reads as follows:

"All persons within the jurisdiction of the United States shall have the same right in every State and Territory to make and enforce contracts, to sue, be parties, give evidence, and to the full and equal benefit of all laws and proceedings for the security of persons and property as is enjoyed by white citizens, and shall be subject to like punishment, pains, penalties, taxes, licenses, and exactions of every kind, and to no other."

15 U.S.C. §1691 (1982) is set out in full in the Appendix at pages 111 through 112.

STATEMENT OF PRIOR PROCEEDINGS

Appellant Willis W. Chapman ("Chapman") has failed in every step of this action to support his claim against Appellees Michigan National Bank of Detroit and Michigan National Corporation (jointly referred to as "Michigan National"). After amending his Complaint numerous times, frequently without prior approval of the District Court, Chapman settled on the version entitled "Fourth Amended Complaint", which was approved by the District Court with some ordered modifications. The sole claim against Michigan National is that it denied his loan application on a racially discriminatory basis contrary to the Equal Credit Opportunity Act, 15 U.S.C. §1691 (1982), et seq. (hereafter referred to as "ECOA"), and 42 U.S.C. §1981 (1981).

Michigan National brought two motions for summary judgment. In each of these, all parties had ample opportunity to present affidavits in support of their respective positions. The first motion resulted in the October 14, 1981 Order of the District Court, J.S. App. J¹, which, among other things, entered judgment for Appellee Michigan National Corporation upon the claim alleged under ECOA, 15 U.S.C. §1691 (1982), et seq., and entered judgment for both Appellees on all claims made by Chapman under 15 U.S.C. §1691 (1982), et seq., and 42 U.S.C. §1981 (1981) which were outside each statute's limitation period.

The two Orders resulting from the second motion were the subject of the appeal to the United States Court of Appeals for the Sixth Circuit and appear to be the subject of the Appeal to this Court. The first Order was entered on January 28, 1982, App. 99²; and addressed the only claims of discrimination made

¹References to the various appendices of Appellant's Jurisdictional Statement will be set forth as "J.S. App." and the letter of the Appendix.

²Appellant Chapman's Appendix to his Jurisdictional Statement fails to include this Order, as well as, several documents which Appellees deem essential to their Motion to Dismiss or Affirm. These documents have been included in the Appendix filed with this Motion. References to the Appendix are cited as "App." followed by the page number.

against Michigan National. As to Chapman's claim that Michigan National discriminatorily allowed white individuals to present appraisals of collateral preferred as security for a loan on a replacement cost and required black individuals to use market value appraisals, the District Court entered judgment in favor of Michigan National. As to Chapman's claim that Michigan National discriminatorily refused to consider an appraisal which Chapman alleges Michigan National had obtained, the District Court requested supplemental affidavits and took this portion of the Motion under advisement. On March 30, 1982 an Order was entered on the remaining part of the Motion, J.S. App. K. The District Court entered judgment for Michigan National on all remaining claims of Chapman's Complaint.

After the District Court entered on Order Denying Motion For Reconsideration on May 7, 1982, J.S. App. L, Chapman appealed to the Sixth Circuit Court of Appeals. The Court of Appeals, after hearing oral argument and considering the record as a whole, entered an unpublished order on June 14, 1983 affirming Judge Boyle's granting of summary judgment in favor of Appellees, J.S. App. B. Subsequently, on September 16, 1983, the Court of Appeals entered an order denying Chapman's Motion for Rehearing, J.S. App. C.

MOTION TO DISMISS

Appellees Michigan National Bank of Detroit and Michigan National Corporation hereby move to dismiss the appeal on the ground that this Court does not have jurisdiction.³

³Chapman has followed a most unorthodox method of obtaining the docketing of this appeal. Primarily, on or about December 14, 1983, Michigan National received Chapman's Jurisdictional Statement without notice that the Appeal had been docketed. Upon calling the Court's clerk, Michigan National was advised that Chapman's papers were in improper form and returned to him. On February 21, 1984, Michigan National received Notice of Docketing of the Appeal reflecting November 14, 1983. Once again, upon calling the Court's Clerk, Michigan National was advised that on February 7, 1984 the appeal was docketed and backdated to the date Chapman first had contact with the Court. The Clerk advised Michigan National that Chapman had refiled the jurisdictional statement and the appropriate papers for In Forma Pauperis status. Since Michigan National never received a copy of the documents filed by Chapman on February 7, 1984, Michigan National is responding to the Jurisdictional Statement dated December 13, 1983.

Chapman has brought, in this action, as he has frequently done in the past, another pro se matter before the Court which neither merits the Court's review nor which is within the Court's appellate jurisdiction.⁴ Consequently, it is not surprising that Chapman's Notice of Appeal fails to "specify the statute or statutes under which the appeal to this Court is taken" as required by Sup. Ct. R. 10.2. This Court does not have jurisdiction over this appeal pursuant to 28 U.S.C. §§1252, 1253, 1254(2), 1257(1), or 1257(2) since this matter does not involve a federal statute having been found unconstitutional or invalid, a direct appeal from a District Court, or consideration of a state statute. Further, there are no special statutes or any statutes whatsoever allowing the appeal of this matter.

This Court summarily dismisses appeals from federal courts where jurisdiction is lacking. Williams v. LaVallee, 362 U.S. 637 (1960). For the foregoing reasons, this appeal is one which the Court must dismiss for lack of jurisdiction.

MOTION TO AFFIRM

Alternatively, the Appellees Michigan National Bank of Detroit and Michigan National Corporation move to affirm the judgment of the Court of Appeals for the Sixth Circuit affirming the judgment of the United States District Court for the Eastern District of Michigan that Appellant Chapman was not discriminatorily denied credit by Appellees.

Michigan National brought its motions for summary judgment in the District Court pursuant to Fed. R. Civ. P. 56(c) which provides in part:

⁴See, e.g., Chapman v. Bank of the Commonwealth, et al, appeal dismissed and cert. denied, 104 S. Ct. 324 (Oct. 31, 1983); petition for rehearing denied, 104 S. Ct. 561 (Dec. 12, 1983); Chapman v. Federal National Mortgage Association, application for stay denied, 436 U.S. 902 (1978), cert. denied, 436 U.S. 961 (1978), rehearing denied, 439 U.S. 884 (1978).

". . . The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law . . ."

In this manner, Michigan National directly challenged Chapman's allegation that Michigan National's loan practices resulted in the denial of credit to Chapman in violation of ECOA, 15 U.S.C. §§1691-1691f (1982), and the Civil Rights Act, 42 U.S.C. §1981 (1981).

In order to have prevailed in the District Court, Chapman must have shown an actual or inferable discriminatory intent on behalf of Michigan National to deny him credit due to his race. Vasquez v. McAllen Bag & Supply Co., 660 F.2d 686 (5th Cir. 1981), cert. denied, 458 U.S. 1122 (1982). If credit was denied because of a lack of creditworthiness and other neutral reasons, then the denial was proper. This position is supported by the following stated purpose of ECOA:

"[The purpose of ECOA is to] eliminate unfair and irrational discrimination against millions of credit-worthy American - men and women; single, married or divorced; black or white; under 26 or over 65; English or Spanish-speaking - as long as they are creditworthy." Additional Views of Hon. Leonor K. Sullivan, H.R. Rep. No. 120, 94th Cong., 1st Sess. (1975). Emphasis in original.

In support of its motions for summary judgment, Michigan National presented the District Court with uncontroverted affidavits showing that Chapman was denied credit on his attempt to obtain a Small Business Administration guaranteed loan for the Larco Inn property for racially neutral reasons, specifically, that he was a major credit risk. Apparently, Chapman prepared an application on the appropriate SBA form, see Romanoff Affidavit, Exhibit A thereto, App. 24, and submitted it to a number of banking institutions, including Appellee Michigan National Bank of Detroit, all of which rejected it. See Plaintiff's Answers to Defendants' Second Interrogatories, ¶6, App. 15. This application process apparently occurred in October, 1978. □

Subsequently, the transactions which ultimately gave rise to this action occurred in August 1979, as recounted in the Romanoff Affidavit: Mr. Chapman appeared at a hearing of the Federal Reserve Board held to consider the application of Michigan National Corporation to acquire other banks in the state of Michigan, at which time, Mr. Chapman complained of the denial of his SBA application. See Romanoff Affidavit, App. 21. At that time, Fred Romanoff, a Vice President of Michigan National who was present at the hearing, was given a copy of the Chapman SBA Application, and offered to inform Mr. Chapman what the procedures had been that led to the denial, as well as why such an application would be denied for nondiscriminatory reasons. Such a review was conducted, see Affidavits of Joseph Drobot, App. 17, and Romanoff, App. 21. This review indicated that the application was not in the proper form for consideration of such applications; significantly, as well, the review indicated that there was a number of substantive reasons why the application would be denied if formally resubmitted:

- (1) The application made reference to prior bankruptcy or insolvency proceedings.
- (2) The project was to be 100% financed, with neither Mr. Chapman nor other parties making any capital investment.
- (3) Mr. Chapman indicated, in the SBA Application, that he had a prior business-loan default in a prior SBA loan.
- (4) Mr. Chapman had defaulted on a home mortgage that was also federally-guaranteed.
- (5) Mr. Chapman had indicated, on the SBA Application, that he had a prior record of criminal convictions.

See Romanoff Affidavit, App. 22-23, and Supplemental Affidavit of Joseph Drobot, App. 104. While subsequent discovery after commencement of this case indicates that Chapman may have incorrectly indicated the bankruptcy and criminal record on the SBA Application, the fact remains that Michigan National was entitled to take the SBA Application as accurate on its face at the time it was made.

Michigan National is obligated to view loan applications in light of guidelines set forth by the governing authority of all national banking associations, the Comptroller of the Currency. The Comptroller's Handbook for National Bank Examiners, §213.1, App. 109, characterizes "Unsecured Mortgage Loans" as follows:

"A first mortgage loan generally is unsound if:

Its liquidation depends on the sale of the underlying real estate.

The amount of the loan is large relative to the fair value of the property.

The ability of the obligor to pay is questionable.

The loan has remained dormant a long time, indicating that its transfer to another obligor through the sale of the realty will become necessary.

Other elements such as interest and tax arrearages can be significant, but they are generally corollaries of the situations outlined above.

A principal indication of an unsound real estate loan is an improper relationship between the amount of the loan, the potential sale price of the property, and the availability of a market. The potential sale price of a property may or may not be the same as its appraised value. In dealing with unsound mortgage loans, the current potential sale price or liquidating value of the realty is of primary importance and the appraised value is of secondary importance. Emphasis added.

In this context, it is apparent that the attempt to secure credit by Chapman was doomed to failure: As the Romanoff Affidavit makes clear, the policy of Michigan National Bank of Detroit in granting loans tracks - as it must, given the undesirable effects of ignoring the Comptroller's policies - the National Bank Act and the Comptroller's rulings. In this instance, in fact, the sought-after loan by Mr. Chapman was "unsound" under three of the criteria noted: (1) Liquidation of the loan depended upon the underlying real estate solely; (2) the amount of the loan was large - to the order of 80% - relative to the value of the property; and (3) the ability of Chapman, given his prior default on his home, as well as default of a prior SBA loan with a default balance in excess of \$100,000.00 was truly questionable.

Based on this analysis and the uncontroverted affidavits provided the District Court, Michigan National denied Chapman credit for solely racially neutral reasons, i.e. that Chapman was not creditworthy, and was therefore not entitled to the protection of ECOA. Nevertheless, the District Court dutifully considered the two claims of racially based discrimination made against Michigan National in Chapman's Fourth Amended Complaint.

The first claim is set forth in ¶6 of the Fourth Amended Complaint, App. 9, as follows:

"6. Plaintiff believes the Discrimination Practices by Defendants method of EVALUATION of Property OFFERED as Collateral in the Black Community is based upon the Market Price or Comparable Sales within the neighborhood of the property offered, Deprives Plaintiff of Equal Credit Opportunity, whereas property offered in a all white community where there is no Blacks living, the Evaluation of property is based upon Replacement Cost-Factor at todays Cost of Labor and Material, which CREATE OPPORTUNITY for Whites in a Low-risk neighborhood."

He alleges, as best as can be determined, that he, a Black, has been compelled to have submitted property appraised only on the "market value" approach, while others - who are White - are permitted the use of "replacement cost" appraisals.

Michigan National provided the District Court with the sworn affidavits of Romanoff, App. 20, and Wagner, App. 97, which demonstrated testimony that Chapman's claim was not the case; replacement cost appraisals are never used for security purposes. Specifically, the District Court found undisputed, the Romanoff Affidavit's statement, App.22, that:

"Michigan National Bank of Detroit does not value collateral, in determining the extent of collateralization on a loan for commercial purposes, on a 'replacement cost' basis. This is because the purpose of collateral is to insure a source of funds adequate to pay unpaid principal if the borrower defaults. The only way collateral can be converted to funds to pay such balances is for it to be sold, and commercial practice, required by law, is for collateral to be sold on the open market. Since replacement cost bears no relationship to what property will be sold for, it cannot prudently be used in any appraisal for collateral purposes." Order of January 28, 1982 at 3, App. 101.

The only example cited by Chapman in support of this claim, involving one Leonard Friedman, Deposition of Willis W. Chapman, App. 12-13, owned property which, taken altogether comprised a mix of multiple parcels of realty as well as personal property which over-collateralized the loan on a market value basis, as well as a debtor whose ability to pay, based upon a multimillion dollar net worth, was unquestionable. Wagner Affidavit, App. 97-98. Therefore, Chapman failed to provide any support for his claim of discriminatory practices as set forth in ¶ 16 of his Complaint, leaving only Michigan National's uncontroverted affidavits demonstrating that there was no discriminatory practice.

The second claim of discrimination raised by Chapman in his Complaint was that Michigan National undervalued his collateral after having appraised it at \$769,000.00. Specifically, ¶ 8 of Chapman's Complaint, App. 10, states:

"8. Plaintiff believes the Discrimination Practices, by Defendants of DENYING Plaintiff's S.B.A. Loan Application, on Property Offered as Collateral, WHICH WAS APPRAISED BY THE DEFENDANTS IN THE AMOUNT OF \$769,000, which was \$369,000 more than what Plaintiff made application for, this Discriminatory Effect, Deprived Plaintiff from working for himself, deprived Plaintiff of employment."

Before making a final decision on this claim the District Court required the parties to submit Supplemental Affidavits. Michigan National presented the following language of the Supplemental Affidavit of Joseph Drobot, App. 105, to show that Michigan National never appraised the property and the figures presented were Chapman's:

"4. Since this review, and the meeting thereafter, were not for the purpose of considering the extension of credit to Plaintiff Willis W. Chapman, but rather to explain to Plaintiff why his previous application had not been accepted, no formal or informal appraisal of any property, including 'Larco's Inn' was ever undertaken by Defendant Michigan National Bank of Detroit.

5. During the meeting with Plaintiff, Deponent and Stuart Mahler discussed the value of the property as suggested by Plaintiff as collateral based upon the statements of value contained in his SBA Loan Application. Since no appraisal was undertaken, no other val-

ation was used for purposes of the discussions with Plaintiff, but Defendant Michigan National Bank of Detroit, by using Plaintiff's valuation for discussion purposes, did not adopt them as true.

6. Since no appraisal was conducted, the Court's question in its Order of January 28, 1982, whether 'any portion of the Seven Hundred Sixty Nine Thousand (\$769,000.00) Dollar appraisal figure represents replacement cost value' is not applicable. However, the documents submitted by Plaintiff Willis W. Chapman in his SBA Loan Application indicates that the Net Book Value of the property was \$818,792.00, Affidavit of Fred Romanoff, Exhibit A thereto, 'Summary of Collateral', and the financial statements submitted by Plaintiff to that application indicated the book value of the building, land, equipment, furniture and fixtures to be \$1,249,362.00. While these figures were neither supported by an appraisal nor accountant's certificate tendered by Plaintiff, and could not be accepted as true by Defendant Michigan National Bank of Detroit, they suggest that even Plaintiff Willis W. Chapman did not believe the replacement cost to be \$769,000.00."

Chapman's only attempt to challenge this affidavit was by his "Counter Affidavit" in the District Court in which he said these allegations were "not true" with no competent proof of how they were untrue. He admitted (at least by silence) that there was no appraisal of any kind performed by Messrs. Drobot and Mahler, and expressly noted that "Plaintiff's Statement of Value contained in Chappy's Athletic Club, Inc. SBA Loan Application was based upon 1968 evaluation," in other words agreeing that property values were submitted by him. Moreover, he did not challenge - nor could he challenge - the sworn statements of Mr. Drobot that the meeting at which he and Mr. Mahler discussed Plaintiff Chapman's application was not for the purpose of considering the application, but for telling him why it had been previously not even accepted for consideration due to its improper form for bank purposes:

"2. As stated in his Affidavit of October 5, 1981, I was present at a meeting with Plaintiff Willis W. Chapman at which Group Vice President Stuart Mahler was also present. The purpose of this meeting was to review an application for SBA insured loan made by Plaintiff Willis W. Chapman that was previously not accepted for consideration by Michigan National Bank of Detroit." Supplemental Affidavit of Joseph Drobot of February 4, 1982 at 1, App. 104.

In essence, the District Court found and the Appellate Court affirmed that viewing the record in the light most favorable to Chapman, there was not only no showing of discrimination by

Chapman, but also that Michigan National denied Chapman credit for racially neutral reasons. Summary judgment was properly granted for Michigan National. Despite being given numerous opportunities to present support for his claims of discrimination, Chapman came up with nothing more than suspicion and unsupportable argument.

Therefore, there are no substantial questions for this Court to consider. This view was shared by the District Court which noted the following at page 2 of its Order Granting Plaintiff's Motion for Leave to Proceed In Forma Pauperis, Denying Motion for Prepayment of Transcript Costs, and Denying Defendant's Motion for Bond for Costs on Appeal, J.S. App. M:

"Although this court is familiar with the sincerity and intensity with which Plaintiff here pursues his claim against the Defendants * * * the statement from Plaintiff of the grounds for for the appeal does not suggest a substantial question for appeal."

TREATMENT AS A PETITION FOR WRIT OF CERTIORARI

If this Court treats this Appellant's papers as a petition for writ of certiorari, it should deny certiorari for the reason that this case does not present an issue of importance for this Court to decide. This case is simply not one justifying the Court's review. It presents no reason like those outlined in Sup. Ct. R. 17.1(a)-(c). The United States Court of Appeals for the Sixth Circuit's decision affirming the District Court does not conflict with the decision of another federal court of appeals. The Sixth Circuit Court of Appeals has not decided any federal questions, let alone one in conflict with a state court of last resort. The Sixth Circuit Court of Appeals has not departed from the accepted course of judicial proceedings or sanctioned such a departure by a lower court. This case does not involve a state court of last resort deciding a federal question in a way in conflict with the decision of another state court of last resort or of a federal court of appeals. The Sixth Circuit Court of Appeals did not decide an important question of federal law which has not been, but should be, settled by this Court. Nor did the

Sixth Circuit Court of Appeals decide a federal question in a way in conflict with applicable decisions of this Court.

This case does not present any reason for review even remotely resembling the foregoing characteristics outlined in Sup. Ct. R. 17.1(a)-(c). Instead, this case marks the sixth time that Chapman has invoked this Court's discretion, the prior five requests having been denied. See n. 4, supra. This request is no better than the other five and should be similarly denied.

Both the District Court and the Court of Appeals have found that Chapman failed to present evidence, proof, or rebuttals of evidence and proof submitted by Michigan National, to substantiate his claim of discrimination. In its Order affirming the District Court, J.S. App. B, the Sixth Circuit Court of Appeals stated:

"Based upon affidavits and evidence submitted before the district judge, it appeared that the premise that the bank loaned money solely on the basis of replacement cost of the property was incorrect. Chapman, although having been accorded ample opportunity, was unable to present any evidence which would raise a material dispute of fact on that question. Similarly, Chapman offered no evidence rebutting defendants' affidavits, which stated that defendants did not conduct an appraisal but adopted Chapman's proffered purchase price as fair market value of the property and that use of the figure was proper. Considering the evidence in a light most favorable to Chapman, no issue of fact regarding disparate treatment was raised."

There is nothing presented by this improvident appeal which calls for this Court to exercise its certiorari jurisdiction.

CONCLUSION

For the reasons stated herein, this appeal should be either dismissed or the judgment of the United States Court of Appeals for the Sixth Circuit affirmed; and if this Court treats this appeal as a petition for writ of certiorari, certiorari should be denied.

Respectfully submitted,

MICHIGAN NATIONAL CORPORATION LEGAL
DEPARTMENT

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Dated: March 7, 1984

No. 83-6264

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ALEXANDER L. STEVENS
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APPENDIX TO MOTION OF APPELLEES TO DISMISS
OR AFFIRM

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3/5/78
filed
3/5/81

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

Willis J. Chapman
Plaintiff,

vs

Civil Action No. 79-74777
Honorable Patricia A. Boyle
Michigan National Bank of Detroit,
Subsidiarie of Michigan National Corporation

Willis J. Chapman's Answer to
Michigan National Bank of Detroit's
First Set of Written Interrogatories
to Plaintiff

Now Comes Willis J. Chapman, Plaintiff herein, and in accordance with the Federal Rules of Civil Procedure, submit the following answers:

These interrogatories answers, herein, shall be deemed continuing and supplemental answer shall be submitted to Defendants upon receipt of additional information from the time the answers are served to the time of the trial. Plaintiff's responds to Michigan National Bank of Detroit, Subsidiarie of Michigan National Corporation, First Set of Interrogatories as follows: #1

a. Yes

- i. First time to Dorothy Little SBA Loan w/o Business
• 2nd time to Jim Taugh SBA loan w/ Business Plan
• Third time to Fred Romanoff SBA Loan w/ Business Plan
- ii. First time Oct. 2, 1978
Second time Nov. 17, 1978
Third time Aug. 27, 1979

iii. \$ 400,000., to purchase Larco's Inn including all assets Building, Land, Office equipment, Dining room and Bar equipment, Kitchen equipment, Food inventory, Liquors, wine, beer, inventory, Licenses Liquor.

b. Yes,

- i. Dorothy Little, Jim Taugh, Fred Romanoff
- ii. Aug. 17, 1979, Plaintiff, offered SBA Loan application to Senior Vice President Fred Romanoff during a meeting with Michigan Committee on Law and Housing, and the League of Women Voters, North Central Seven and other community groups. New Detroit Inc. representative President Walter Douglas and BenJ. Davis, the Senior Vice President Fred Romanoff asked Plaintiff for the SBA Loan application, Plaintiff refused to give the SBA Loan application, because of the Negative Attitude

of Michigan National Corporation representative to the Credit Needs of the community, the Michigan National Corporation representative walked out of that meeting.

a. Aug. 27, 1979 meeting between Federal Reserve Board member Frank Dryer, and his staff of five (5), and Michigan Committee on Law and Housing, League of Women Voters, North Central Seven, and Willis W. Chapman Plaintiff, during this meeting (Aug. 27, 1979) Senior Vice President of Michigan National Corporation Fred Romanoff asked Plaintiff for his SBA Loan application again, with the statement "he wanted to review the application to see if Michigan National of Detroit discriminated against you(Plaintiff)", Plaintiff said "I'll give the application to you(Fred Romanoff), but not for that reason, I'll submit the SBA Loan application to you(Fred Romanoff) for Credit", Senior Vice President Fred Romanoff said " ok I'll look it (Loan application) over and see what I can do" and all participants at the meeting table heard the statement, the District Director of the Federal Reserve Board Frank Dryer was sitting next to Plaintiff.

2. Equal Credit Opportunity Act: USC Vol. 15, Sec. 1691-1691 F; and Federal Reserve Board Regulation B; Code of Federal Regulation, Vol. 12 part 202 (1977) Sec. 601 of the Civil Rights Act of 1964 provides no person in the United States shall on the grounds of Race, Color or National Origins be excluded from participation in being Denied the benefit of, or be subject to discrimination under any program or activity receiving Federal Financial Assistance. Executive Order 11061 (Support the Civil Rights Act 1966 and Title VIII of the Civil Rights Act of 1968, p 18, 18a) which prohibits discrimination on the part of anyone who are using Federal Insurance Program, the Comptroller of the Currency has Statutory power of enforcement vested in Section 8 of the Federal Deposit Insurance Act, as amended by the Financial Institution Supervisory Act 1966, Vol. 12 USC Sec. 1818(a), the Comptroller may issue a Cease and Desist Order, where there is Reasonable Cause to believe that a Bank has Violated, is Violating or is about to Violate any Laws, Rule or Regulation.

a. Consumer Credit Protection Act
b. Statement of Credit Denial
c. The mental anguish for over 14 yrs. of economical oppression by the Michigan National Bank of Detroit.

f. Plaintiff submitted SBA Loan application and Business Plan with a three year projection at the meeting of the Federal Reserve Board on Aug. 27, 1979, after 4 months, several telephone calls was made to Senior Vice President Fred Romanoff regarding the status of the application over a period of 4 months he said

" Nothing yet, two weeks later he said," still working on the application, and still later he said;will let you (Plaintiff) know in a few days" after 4 months the experience of fort is overwhelming, anxiousness and thinking that my idea of self-employment for myself, my children, and my grand children is going to be lost because of discrimination, Plaintiff talked to Senior Vice President Fred Romanoff who said I think your application was rejected, I gave it to Stuart E. Mahler and he will call you to set up a meeting.

3. Dec. 13, 1979 Plaintiff had a meeting with Senior Vice President of the Commercial Department Stuart E. Mahler and Community Reinvestment officer Joe Drobot, Senior Vice President Stuart E. Mahler open the meeting by stating, " there is something on your application that we need to talk about, that I don't understand how you got your figures; referring to the collateral offered, "we think the figures are wrong", Plaintiff answered the "figures are based upon Larco's Inn balance sheet and profit and loss statement", Senior Vice President Stuart E. Mahler made the statement " the way the Bank see it , the property (Larco's Inn) is worth \$ 769,000.", Plaintiff said "the Loan application is only asking for a SBA loan in the amount of 3 400,000. which means there is \$369,000. worth of Equity", Senior Vice President Stuart E. Mahler said " the Bank see the difference as what the Bank call appraisal surplus", Plaintiff asked " did the Bank make an appraisal?", Senior Vice President Stuart E. Mahler said " No we did not", he asked about a question on the SBA application, regarding if Plaintiff ever been involve in a bankruptcy, Plaintiff answered " no", Senior Vice President Stuart E. Mahler said " it is against the law to inflate assets to create equity for collateral", Plaintiff said "are you (Stuart E. Mahler) making inference that I did something illegal, if so we need to end this meeting now, that the figures used reflect upon what the Seller has invested in this property after 25 years, and that I (Plaintiff) did not inflate the assets to create the collateral or the \$369,000. equity", Plaintiff asked , " how did the Bank evaluate the property?", Senior Vice President said " by the market price or comparable sales in the neighborhood", Plaintiff said " there is no other property that was sold in the City of Detroit comparable to Larco's Inn", Plaintiff asked " if this property was in Southfield would the appraisal be based upon replacement cost-factor?", Senior Vice President Stuart E. Mahler said Yes", Plaintiff said OH, the Bank don't appraise property in the City of Detroit as the Bank do in Southfield", Senior Vice President Stuart E. Mahler said " No" .

the Bank appraise property basedupon market value in Detroit", the community reinvestment act Bank officer who is suppose to evaluate all application that have been denied by the bank, CRA officer Joe Drobot asked " what about your (Plaintiff) police record?", Plaintiff said" the police record is 23 years old", CRA officer Joe Drobot asked " what about the Letters of recommendation", Plaintiff said "I'll get the letters" CRA officer said " what about the 3 100,000. default?", Plaintiff said"there was no default it was written-off in 1978 by the SBA with the understanding that Plaintiff would pay it off by including it in any new applications, which was included in the SBA application submitted to the Bank", Senior Vice President Stuart E. Mahler asked " how can you (Plaintiff) show 3 219,000. as withholding taxes on your balance sheet, that wrong, it should be shown as income", Plaintiff said " that balance sheet is the projected balance sheet after the first years operation", Plaintiff said " why don't you (Stuart E.Mahler) give me the letter of denial ?, so that I can go, I am wasting time here", Senior Vice President Stuart E. Mahler said I can give you a Letter of denial, but what you need to do, is to do the application over, bring in your Accountant, so we(Bank) can put to gather a application the way we(Bank) want it", Plaintiff said"give me the letter of denial and let me go, you could have told me this over the telephone Mr. Mahler, so far you have said you see my figures as being wrong (the Defendants are the only Bank out of 6 Banks that have said my figures are wrong) you have said and made inference that I have illegally inflated the collateral to increase the assets for a equity increase, also you CRA Officer Joe Drobot has made reference to a 23 year old police record, plus evaluate the property in the Detroit area different than the Bank evaluate property in the white area; Plaintiff prepared his on application for a SBA loan and he also prepare SBA loan application for people in the Detroit area.

a. Fred Romanoff

b. Telephone

c. Section 302 (a) of the Community Reinvestment Act of 1977; and because of discrimination by the Defendants, Plaintiff is exercising his rights as a United States Citizen to call for proper enforcement of laws by the Federal Reserve Board and the Comptroller of Currency Statutory powers that Section 8 of the Federal Deposit Insurance Act. The Community Reinvestment Act 1977 was passed by Congress and signed by the President of the United States, designed to revitalise the poor people's neighborhood.

d. Plaintiff was never informed of other reason why his

application was not approved. Plaintiff received a denial letter which stated inadequate collateral dated Nov. 14, 1978 received from Dorothy Little and as stated herein paragraph #3 Senior Vice President Stuart E. Mahler said the Bank see Larco's Inn evaluated at \$ 769,000., the SBA Loan application was for only \$400,000. with 90% guarantee, with a 10% risk factor, there is no inadequate collateral factor, there is a \$ 369,000. surplus appraisal equity factor.

Plaintiff believes race was the factor in the non-approval of his application to the Defendants, this is the pattern of Michigan National Bank of Detroit lending policy against Blacks, Browns, Reds, Poor Whites, and Senior Citizens in a Low and Moderate income community with a Disinvestment Banking practice or Red-Lining practice by telling Blacks and Low and Moderate income community people that their property is not worth the risk of a mortgage or Home Improvement Loan, there are Senior Citizen who are trapped in their homes, because of Disinvestment or Red-Lining-they can not get a loan to improve their homes, to bring their houses up to City code, so they can sell their houses to get relief from the taxes, up keep, so that they can better out of their fixed income. Disinvestment or Red-Lining is the same thing herein is an example of Michigan National Bank of Detroit's institutional racism a pattern of discrimination predominantly in the Black Community, also there there is a discrimination pattern against the Browns, Reds, Poor whites, and Senior Citizens, in the Michigan National Bank of Detroit's Delination area which is the Low and Moderate income areas.

ii. The Michigan National Banks of Detroit's discrimination practices of discrimination in the form of Disinvestment (the process of collecting money in the form of deposits in the Black community and investing the collected deposit in some other community).

Plaintiff believes lending institutions discrimination practices is destroying our Capitalistic system, it has destroyed our City, State and national tax base, it has destroyed our increase in Gross National Product, world discrimination practices has contributed to the devaluation of our dollar, discrimination contributes to crime, by destroying hope, and dreams of entering into the main stream of the economy of their communities, discrimination destroy opportunities, our prison population would be less if the Lending institutions offered opportunities instead of destroying hope, dreams. Plaintiff believes he is a Victim, because Michigan National Bank of Detroit did not meet Plaintiff's Credit needs, this was the

concern which motivated Congress, when it enacted Community Reinvestment Act 1977, the legislative history of Community Reinvestment Act indicate that Congress clearly intended the Act to serve as a directive to Banking agencies to encourage financed institution to provide an adequate supply of housing and small business loans, in order to promote neighborhood stabilization and revitalization. Furthermore, the implementing regulations to carry out the purpose of Community Reinvestment Act 1977, Federal Reserve Board's Regulation BB, Sec.228-7 Assessing the Records of performance in connection with its origination of residential mortgagors loans, housing rehabilitation loans, home improvement loans, or the purchase of such loans originated in its community; participation in governmentally insured, guaranteed, or subsidized loans programs for housing, and small business or small farms and participation including investments, in local community development and redevelopment projects or program. the Examiners (Federal Reserve Board) are also required to analyze the geographic distribution of the Banks Credit extensions, applications, and Denials.

iii. Civil Rights Act of 1866, all citizens have the same rights to inherit, purchase, Lease, sell, hold, and convey property, (passed because of the 13th Amendment)

iv. Civil Rights Act of 1968, Supported the 1866 Civil Rights and added that it was unlawful to discriminate because of race, Creed, Color, Sex or national origin in giving opportunity to Buy. (passes because of United States Supreme Court's Decision Jones vs Mayer 392 USA 409(1968)

4. Plaintiff has not received a loan from Defendants.

Plaintiff believe a loan granted by Defendants where the collateral upon which the credit was based on value of replacement cost.

a. Leonard Freeman "white man"

b. Michigan National Bank of Detroit

c. 7000 Lenox Plaintiff made application of SBA loan to purchase this property, but was told that it too was inadequate collateral by Michigan National Bank of Detroit.

5. Yes, Michigan National Bank of Detroit

6. Senior Vice President Stuart H. Mahler

7. See SBA Loan application and Business Plan submitted with the Complaint

8. See paragraph #3 herein

9. The equal credit act is supported by the community reinvestment act 1977, housing and community development act public law 95-128 as amended Title VIII Community Reinvestment Act 1977, Sec.801; Sec. 802(a) congress finds that: Regulated financial institutions are required by law to demonstrate that

their Deposit facilities serve the convenience and need of the communities in which are chartered to do business; the convenience and needs of communities include the need for credit service as well as deposit service and regulated financial institution have continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered; Sec. 228-7(a)(b)(c)(d)(e)(f)(g)(h)(i)(j)(k)(l) also TSC Vol.12 Sec. 2901-2905 (1978)

10. Plaintiff did, and found the pattern of institutional racism in 8 Banks in the City of Detroit after 14 years of experience, Senator Proxmire of the Banking, found the same thing throughout the country, that is why the Banking Committee passed the Community Reinvestment Bill.

- a. All the Banks in the City of Detroit
- b. Oct. 2,1978
- c. Denials

11. Yes, also there should have been approved under the market value appraisal that Senior Vice President Stuart H. Zahler made of \$769,000. evaluation with a \$369,000. surplus appraisal, 90% guarantee Loan, with a 10% risk

12. lost opportunity of self employment for Plaintiff and his off-springs.

13. the facts of DISINVESTMENT by Defendants and non-complying with Community Reinvestment Act 1977.

a. Larco's Inn, 7525 West McNichols, Detroit, Michigan replacement cost factor in 1979 market was \$15.00 to \$25.00 a sq ft and there is 222,304 sq ft in Larco's Inn, but Plaintiff computed the replacement cost at \$10.00 sq ft & 222,304, Chappy's Athletic Club Inc. Financing Proposal see Stuart H. Zahler's own figures on pg of 6 out of 32, Senior Vice President Stuart H. Zahler told Plaintiff, "appraisal surplus was not owner's equity"

REQUEST DOCUMENTS

1. Application SBA, Business Plan
2. Copy of Leonard Freeman's Mortgage
3. Copy of Dorothy Little's Letter of Denial

Whereas Plaintiff herein, believes Punitive Damage are intended as a deterrent upon libeler so that the Defendants will not repeat the offense, and to serve as a warning to others, Banks, Lenders, Saving and Loans, Damage are intended for punishment for Gross Misbehavior for the Good of the Public and have been referred to as a sort of hybrid between the display of ethical indignation and the imposition of a criminal fine.

Plaintiff believes the purpose of Punitive Damages is to

punish and to act as a deterrent, unless the Damages cause pain to the Defendants, there is no deterrent and no punishment.

Therefore, Plaintiff seeks relief of Tort sought in the original Bill of Complaint of \$ 100,000,000..

Plaintiff, have read the above and say it is the truth to the best of his information and knowledge.

Belief, Plaintiff Respectfully Prays

Dated March 5 1981

Willis A. Chapman

Willis A. Chapman P.O. #62
8550 Greenfield Rd. # 14
Detroit, Michigan 48226
313-584-7659 Res.
313-255-6770 Off.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS V. CHAPMAN
Plaintiff,

vs

CIVIL NO. 79-74777
HONORABLE PATRICIA J. BOYLE

MICHIGAN NATIONAL BANK OF
DETROIT SUBSIDIARIES, et
MICHIGAN NATIONAL CORPORATION,
a BANK HOLDING COMPANY,
Defendants

filed
9/24/81

FOURTH AMENDED COMPLAINT AND OTHER RELIEF

NOW COMES, Willis V. Chapman, Plaintiff herein, and by way of Complaint shows as follows:

1. This Action is brought before this HONORABLE COURT because of DISCRIMINATION BY MICHIGAN NATIONAL BANK OF DETROIT SUBSIDIARIES, et MICHIGAN NATIONAL CORPORATION, a HOLDING COMPANY, in THEIR LOAN PRACTICES, and THEIR DISCRIMINATORY INTENT, and THEIR DISCRIMINATORY EFFECT UPON THE PLAINTIFF.

2. This Action is brought after Plaintiff had fourteen (14) years experience of DISCRIMINATION, from 1966 to 1980 and (7) SEVEN DENIALS OF S.E.A. LOAN APPLICATIONS BY MICHIGAN NATIONAL BANK OF DETROIT.

3. This Action is brought because of Plaintiff's Race, which was the Factor of the unfair Lending Practices.

4. Plaintiff believes the Discrimination Practices by Defendants, DEPRIVES PLAINTIFF OF SELF-EMPLOYMENT.

5. This Action is brought because of Plaintiff's Race, which was the Factor of the unfair appraisal of Property offered as Collateral for the Loan, which was GUARANTEED by the GOVERNMENT (90%) with only a (10%) RISK FACTOR.

6. Plaintiff believes the Discrimination Practices by Defendants method of EVALUATION of Property OFFERED as Collateral in the Black Community is based upon the Market Price or Comparable Sales within the neighborhood of the property offered, Deprives Plaintiff of Equal Credit Opportunity, whereas property offered as Collateral in a all white Community where there is no Black living, the Evaluation of property is based upon Replacement Cost-Factor at todays Cost of Labor and Material, which CREATE OPPORTUNITY for Whites in a Low-risk neighborhood.

7. Plaintiff believes the Discrimination Practices by

Defendants, Deprives Plaintiff of Equal Credit Opportunity, and Plaintiff's Race is the Factor, of the Unfair Credit Opportunity.

8. Plaintiff believes the Discrimination Practices, by Defendants of DENYING Plaintiff's S.E.A. Loan Application, on Property Offered as Collateral, WHICH WAS APPRAISED BY THE DEFENDANTS IN THE AMOUNT OF \$769,000., which was \$369,000. more than what Plaintiff made application for, this Discriminatory Effect, Deprived Plaintiff from working for himself, Deprived Plaintiff of employment.

(a) Replacement Cost-Factor of property offered as collateral in 1979 was over \$2,000,000.

9. Plaintiff's EXPERT WITNESSES, BONNY MCQUADE, FRANK STEINER, EUGENE SMITH, CATHY STANLEY, PAT VALERIUS AND OTHERS the INVESTIGATED THE DEFENDANTS, AND FOUND A PATTERN OF DISCRIMINATION, EACH EXPERT WITNESSES STATEMENTS WOULD GIVE KNOWLEDGE OF THEIR ANALYSES OF DEFENDANTS LEADING DISCRIMINATORY PATTERNS.

10. That there is GENUINE ISSUE OF MATERIAL FACTS in this cause of Action of Discrimination.

Whereas, Plaintiff, Prays this HONORABLE COURT GRANT that Plaintiff should have ADEQUATE OPPORTUNITY TO FULLY DEVELOP THIS CASE BY WITNESSES AND A TRIAL.

11. That Punitive Damages is Plaintiff's chief hope for recovery, Equitable, and other Relief is sought under the EQUAL CREDIT OPPORTUNITY ACT (15 U.S.C. Sec. 1691-1691f) and one section of the CIVIL Rights Law of 1870, 42 U.S.C. Sec. 1981.

12. Plaintiff believes Punitive Damage are intanted as a Deterrent upon the Libeler so that the Defendants will not repeat the OFFENSE, and to serve as a warning to other, Banks, Landers, Saving and Loans. Damages are intanted for PUNITMENT for GROSS MISDEMEANOR for the GOOD of the PUBLIC and have been referred to as a sort of hybrid between the display of CRITICAL DISMISSEMENT and the IMPOSITION OF A CRIMINAL FINE. Plaintiff believes the PURPOSE of PUNITIVE DAMAGES is to PUNISH and ACT AS A DETERRENT. Unless the Damages cause PAIN to the DEFENDANTS, there is no DETERRENT and NO PUNITMENT.

Therefore, Plaintiff seeks Relief of TORM sought in the First BILL of COMPLAINT of \$ 100,000,000.

Plaintiff, have read the above and says it is the truth to the best of his information and Knowledge.

Belief, Plaintiff Respectfully

Dated 24 August 1981

W. J. Chapman
W. J. Chapman 1970 Per
8550 Greenfield Rd. # 14
Detroit, Michigan 48228
313 584-7659 Res.
313 255-6770 Off.

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UNITED STATES OF AMERICA
UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

vs.

No. 79-74777

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARY, and MICHIGAN NATIONAL
CORPORATION, a bank holding company,

Defendants.

The Deposition of WILLIS WASH CHAPMAN,
taken before me, Fritzi Roth, Notary Public, in and for the County
of Oakland, State of Michigan, at 1400 West 14 Mile Road, Clawson,
Michigan, on Friday, September 4, 1981.

APPEARANCES:

WILLIS W. CHAPMAN,

Appearing in Pro Se

RUSS E. BOLTE, ESQ.

Appearing on behalf of Defendants

Reported by: Fritzi Roth
1030 Penobscot Building
Detroit, Michigan 48226
962-6021

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1 2 Mr. Chapman, you have alleged that property offered, quote,
2 as collateral in an all-white community where there is no
3 black living the evaluation of the property is based upon
4 replacement cost factor at today's cost of labor and material,
5 right?
6 A That's --
7 Q That is what you said?
8 A Yes.
9 Q Can you name me any instance that you had in which Michigan
10 National Bank of Detroit has extended credit to any person,
11 white, black, Spanish surname, or oriental, for the evaluation
12 of property based upon replacement cost?
13 A The only one that I know of is Mr. Fillman who has a mortgage
14 of \$600,000.00 on the Lonyo property, and I applied for a loan
15 through Michigan Bank on the same property and Michigan Bank
16 told me that that property was insufficient for collateral
17 although they gave him, Mr. Leonard Fillman, \$600,000.00 on
18 that property. That's the only one I knew of.
19 Q I believe it's Friedman.
20 A No, that's not the gentleman's name. Mr. Friedman was repre-
21 senting Mr. Fillman, a Mr. Fillman out of California. He was
22 the purchaser. I think there is an application or a copy of
23 his mortgage in the court file. Leonard Fillman, that's what
24 it is.
25 Q That's Leonard Friedman, f-r-i-e-d-m-a-n.

1 A Friedman, yes, yes.
2 Q Now, Mr. Chapman, in your answers to interrogatories you have
3 indicated that you will call a Dr. Charles Ipcar as an expert
4 witness in this case.

5 A Yes.

6 Q Where does Dr. Ipcar live?

7 A I think in Lansing.

8 Q Michigan?

9 A Yes.

10 Q Do you have an address for him?

11 A Hmmm...No, I do not.

12 Q How did you learn of Dr. Ipcar?

13 A Being a concerned citizen about the lending policies of
14 Michigan National Bank I attended several meetings with a
15 community no, Michigan Committee on Law and Housing who
16 had filed a challenge against Michigan National Bank in 1979.
17 I met Mr. Charles Ipcar then.

18 Q Have you spoken to him since then?

19 A I spoke to him, yes, yes, since then.

20 Q When did you last speak with him?

21 A The last time I spoke with him was....I can't remember, but
22 I think it was January of this year.

23 Q Did you discuss this case with him?

24 A No.

25 Q Does he know that he will be called as a witness in this case?

9/30/81

filed
9/30/81

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS T. CHAPMAN
Plaintiff,

vs

Civil No. 79-74777
HONORABLE PATRICK J. BOYLE
MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARY OF MICHIGAN NATIONAL
CORPORATION,
Defendants.

ANSWER TO DEFENDANT'S SECOND SET
OF INTERROGATORIES TO PLAINTIFF

Now comes, Willis T. Chapman, Plaintiff, in Pro Per, only, by and submits the following answers:

1. With regard to the person-making answer to these interrogatories, please state:

- (a) Name, Willis T. Chapman
- (b) Address, 6550 Greenfield Rd. # 14, Detroit, MI 48228
- (c) Occupation, Real Estate Salesman
- (d) Employer, Century 21 DuPont Realtors
- (e) Business Address, 13801 W. 7 Mile Rd.

2. Has plaintiff Willis T. Chapman ever been convicted of a crime? If yes, for each conviction please state: None see police record. (attached)

3. Please state the name, residence, address, occupation, employer's name and business address of each person who Plaintiff Willis T. Chapman will call as a witness at the trial of this matter. As to each witness, state in detail the expected testimony such witness will provide at trial.

(a) Frank E. Stetzer, Executive Director of Michigan Housing Coalition, The Woodward Tower, 100 Fisher St., Suite 2506, Detroit, Michigan 48226, ANALYSIS OF DEPOSIT DATA, LENDING PATTERN DATA, and RACE DATA.

(b) BOBBY McLAUGHLIN, 47 E. Adams St., Detroit, Michigan 48226, ANALYSIS OF THE BANK'S MORTGAGE DISCLOSURE STATEMENT, regarding the Bank's lending pattern.

4. Please state the name, residence, address, occupation, employer's name and business address of each person who Plaintiff Willis T. Chapman may call as a witness at the trial of this matter. As to each witness, state in detail the expected testimony such witness will provide at trial. ERMA HENDERSON President, Detroit City Council, 1300 East Jefferson, Detroit, Michigan 48226, Chairperson for STATE-WIDE COALITION ON REDIFFINING and RESTRUCTURING BANKS' LENDING PRIORITIES in Detroit.

5. Will Plaintiff Willis T. Chapman call witness who will be qualified as experts within the meaning of Federal Rule of Evidence Rule 702? If yes, for each such witness state: YES:

- (a) witness name: DR. CHARLES MCNAUL
- (b) address: 731 Genesee, Lansing Michigan 48915
- (c) occupation: Program Analyst
- (d) employer's name: Michigan Occupational Information Coordination Committee
- (e) business address: P.O. Box 30015, Lansing, Michigan 48909
- (f) education: Michigan State

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(g) academic degrees earned; PHD
(h) (i)(J) any other knowledge, skill, experience, training or education that will qualify each such person as an expert witness; received a National Science Foundation Grant to research financial institutions lending patterns in the Lansing and Detroit communities.

(k) the substance of the testimony that each such person will state at trial, based upon the analysis of data available from the lending institution under the Home Mortgage Disclosure Act, 12 U.S.C. 2601, et.seq., Michigan National Bank of Detroit's statements

6. Did Plaintiff Willis T. Chapman apply at any time in the past for credit or the extension of credit, from any financial institution in the County of Wayne, the County of Oakland, and/or the County of Macomb? If yes, please state: Yes, NED, BOC, FNB, BCB, LIBERTY STATE BANK, MNB, MNB of Troy, Michigan
(b) the date of each application to each financial institution; Oct. 2, 1978

(c) whether any one or more of such application was granted. If granted, please state: none

(d) whether any one or more of such applications was denied. If denied, please state: denied

(i) the date of such denial; Nov. 1978 MNB of Detroit
(ii) whether reasons for each said denial were given in writing; no.

(iii) if given in writing, what were the reasons for denial, insufficient collateral, without an appraisal, Michigan Bank of Detroit also said the same thing, also without an appraisal.

7. Will Plaintiff Willis T. Chapman seek to introduce into evidence at trial of this matter any documents, things, or demonstrative evidence in support of the allegations made in the Complaint? If yes, please state, as to each such document, thing or item of demonstrative evidence: Yes Upon discovery.

(a) the name of the custodian of such item, his/her address and telephone number; previous wife's telephone number and address UNKNOWN.

(b) the contents of such item; denial letters from 1966 to 1974.

(c) if written, the name of the person who prepared such item; can't remember.

(d) if written, the name of the person to whom the item was directed. Willis T. Chapman

Plaintiff, have read the above and says it is the truth to the best of his information and knowledge.

IN WITNESS WHEREOF, PLAINTIFF RESPECTFULLY SWAYS

Dated September 30, 1981

Willis T. Chapman
Willis T. Chapman
3550 Greenfield Rd. #14
Detroit, Michigan 48226
313 584-7559 Res.
313 255-6770 Off.

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SEARCHED

DETROIT POLICE
DEPARTMENT

CASE NUMBER

119037

SEARCHED	INDEXED	FILED	ALIAS	
Name and Number		Date	Charge	Disposition
DET., Mich. Willis Chapman #119037		12-25-51	Inv. Negligent Homicide	12-26-51 4125 no case
		12-2-52	Inv. Language	12-2-52 \$25 or 30 da DEC
		2-9-53	Inv. Mutual Oper.	2-10-53 4125 no case
Willie Mass Chapman #119037		9-5-55	COW	9-7-55 4125 no case, 70-282 9-7-55
		9-5-55	Pass. of Chi-reg. COW	9-7-55 \$25 or 30 da DEC
Willie Chapman #119037	7-20-56	Inv. Fish. State Game Law	7-20-56 4125 no case	
	12-11-57	Drunk Warr	12-13-57- \$5 fine	
	3-21-62	to Oper. license	3-22-62, \$25 or 5 days DEC	

FORWARDED TO:

AN 7/1968
1. Chapman
By [Signature]

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MASTER INDEX

15-21

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

Filed
10/15/81

WILLIS W. CHAPMAN,

Plaintiff,

vs

No. 79-74777

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARIE, AND MICHIGAN NATIONAL
CORPORATION, a bank holding company,

HON. PATRICIA J. BOYLE

Defendants.

AFFIDAVIT OF JOSEPH A. DROBOT

STATE OF MICHIGAN)
) 55
COUNTY OF OAKLAND)

JOSEPH A. DROBOT, being first duly sworn, on oath
deposes and says that:

1. I am a Commercial Loan Officer of Defendant, Michigan
National Bank of Detroit, and I have been employed by Michigan
National Bank of Detroit since 19⁷⁵.

2. As a Commercial Loan Officer for Michigan National
Bank for several years, I am familiar with the loan policies and
procedures of Michigan National Bank of Detroit as they have
been, from time to time in effect.

3. At a time between August 23, 1979, and December 10,
1979, Fred Romanoff, a Vice President of Michigan National
Corporation, requested Stuart Manier, then an officer of
Michigan National Bank of Detroit, and I to review a previously
denied application for an SBA loan. This application had been
prepared by Plaintiff Willis W. Chapman.

4. The purpose of the review conducted by Mr. Mahler and I was to review the documents submitted previously by Mr. Chapman and inform him why they could not even be considered as a formal requirement. Specifically, the documents were not prepared in conformity with generally accepted accounting principles. Mr. Chapman was told that this non-conformity meant that any documents in such a form submitted by anyone could not be treated as an application. Mr. Chapman was advised to obtain the services of an accountant to assist him.

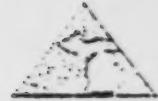
5. At no time during the review conducted by Mr. Mahler and myself were these documents treated as an application. Upon our completion of the review, the documents were returned to Mr. Chapman. See Exhibit A.


JOSEPH DROBOT

Subscribed and sworn to before me
this 5 day of October, 1981.


MICHAEL ARMSTRONG

Notary Public, Macomb County, MI
My Commission Expires: 12-12-83



MICHIGAN NATIONAL BANK
of Detroit

202-203-204-205-206-207
208-209-210-211-212-213-214

January 10, 1960

Mr. Willis A. Chapman
3336 Greenfield, Apt. 10
Detroit, Michigan 48215

Dear Mr. Chapman:

The enclosed loan package was referred to me by Mr. Fred Romanoff for review, and in fact was never considered as a loan application for credit. Therefore, we are returning this package to you at your request.

Very truly yours,

Stuart A. Kaplan
Senior Vice President

SHW/BS

Enclosure

cc: Fred Romanoff
A. Brown

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

vs

No. 79-74777
HON. PATRICIA J. BOYLE

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARIE, AND MICHIGAN NATIONAL
CORPORATION, a bank holding company,

Defendants.

Filed
10/6/81

AFFIDAVIT OF FRED J. ROMANOFF

STATE OF MICHIGAN)
| SS
COUNTY OF OAKLAND)

FRED J. ROMANOFF, being first duly sworn, on oath
deposes and says that:

1. I am a Vice President of Defendant Michigan National
Corporation, a Delaware corporation, and I have been employed by
Michigan National Corporation and/or its subsidiaries since
1967.

2. As both an attorney and a former Deputy Mayor of the
City of Detroit, I am familiar with civil rights laws and
requirements regarding the extension of credit on an equal
opportunity basis.

3. On or about August 23, 1979, I attended, as a representative of Michigan National Corporation, a meeting of the Board of Governors of the Federal Reserve System convened to consider the application of Michigan National Corporation to acquire the Litchfield State Bank. At this meeting were individuals and organizational representatives who indicated their opposition to the application. One such individual was Plaintiff WILLIS W. CHAPMAN.

4. At that hearing, Mr. Chapman complained of a wrongful prior denial of credit in a business loan by Defendant MICHIGAN NATIONAL BANK OF DETROIT. Specifically, he indicated that an application for a loan, to be 90% guaranteed by the Small Business Administration, had been denied to him because of his race.

5. In support of these allegations, Mr. Chapman and members of the Michigan Committee on Law and Housing, of which he was a member, asked me to consider a hypothetical loan application and to tell the Federal Reserve Board why such an application would be rejected if submitted. I was not prepared to respond to this question at the time, but instead informed Mr. Chapman that I would investigate the reasons for denial of such an application and respond. I specifically told him that I could not change his prior denial. Additionally, since I was not present at the hearing on behalf of MICHIGAN NATIONAL BANK OF DETROIT, since I was not a loan officer, and the document was not submitted through normal application channels, I told Mr. Chapman that I could not treat the review of the reasons for the earlier denial as a new application. Mr. Chapman then produced a copy of the application and supporting documents attached hereto as Exhibit A.

6. Upon my return to my offices, I requested Messrs. Stuart H. Manier and Joseph Drobot, both officers of Michigan National Bank, to review Mr. Chapman's earlier application. Messrs. Manier and Drobot did so, and, in the course of their regularly conducted business, advised me of the results of their review in the two memoranda attached hereto as Exhibits B and C.

X90
7. At no time could the documents given to me by Mr. Chapman have been considered as an "application" for credit

since, among other things, the Offer to Purchase, Exhibit 2, was executed approximately one year before, i.e., on September 8, 1978, and expired, by its own terms, 90 days later, i.e., December 7, 1978, and was, consequently, no longer in effect. 92

8. It is not possible that Michigan National Corporation denied Plaintiff Willis W. Chapman the right to "make and enforce contracts" protected by 42 U.S.C. §1981:

(a) Michigan National Corporation is not a bank, and is not authorized under any state or federal law to engage in lending money. This Court recognized that in dismissing Michigan National Corporation as a defendant to the Equal Credit Opportunity Act claim made by Plaintiff.

(b) The only kind of contract that Mr. Chapman has indicated he wanted was to borrow money. Michigan National Corporation does not engage in the business of lending money. Michigan National Corporation did not discriminate against Mr. Chapman since it would deny the application of any person or entity which sought a general purpose or government-guaranteed commercial loan. 93

9. I am aware of the written Michigan National Bank of Detroit Lending Policy attached as Exhibit E. Michigan National Bank of Detroit did not discriminate against Plaintiff WILLIS W. CHAPMAN due to his race in its denial, in 1978, of his loan application. 94

(a) Mr. Chapman has alleged that Defendants appraise collateral pledged as security for commercial loans by white borrowers based on "replacement cost" while loans to "poor blacks" require collateral appraised at market value.

(b) Michigan National Bank of Detroit does not value collateral, in determining the need of collateralization of a loan for commercial purposes, on a "replacement cost" basis. This is because the purpose of collateral is to insure a source of funds adequate to pay unpaid principal and interest if the borrower defaults. The only way collateral can be converted to funds to pay such balances is for it to be sold, and commercial practice, required by law, is for collateral to be sold on the open market. Since replacement cost bears no relationship to what property will be sold for, it cannot prudently be used in any appraisal for collateral purposes.

(c) As shown in the Application, Exhibit A, Mr. Chapman agreed to pay \$500,000.00 for Lareo's Inn, a restaurant/night club, with a \$300,000.00 down payment and the remainder payable on a land contract. He sought a loan for \$400,000.00, the proceeds of which would be used to make the down payment and to pay off a previous defaulted Small Business Administration Loan. This transaction, if accomplished, would have resulted in 100% financing, i.e., all of the risk would have been borne by lenders, since Mr. Chapman was making no cash investment at all.

(d) The materials submitted to me for review, while not treated by either Michigan National Corporation or Michigan National Bank of Detroit as an application, see Exhibit F, letter from Stuart Hanler, demonstrate that Mr. Chapman presented an unacceptable credit risk.

(i) Mr. Chapman has admitted a record of prior criminal convictions, issuance of an on-premises consumption license by the Michigan Liquor Control Commission was doubtful. See Mich Administrative Code R 436.1105 (2)(g). See Deposition of William W. Chapman.

(ii) Mr. Chapman had previously defaulted on an earlier Small Business Administration loan, on which there was a balance due in excess of \$100,000.00. See Exhibit F.

(iii) Mr. Chapman had previously defaulted on a mortgage for \$18,000.00 on his residence. This mortgage was on the only real estate Mr. Chapman owned, as shown in the Financial Statement in the Small Business Administration application, Exhibit F. In fact, Mr. Chapman had no equity in the property, since it had been foreclosed in 1976, and the redemption period had run. See Exhibit F.

(e) Consequently, the denial of the 1978 application was not racially motivated, but was actuated by the extremely high risk presented by Mr. Chapman in this transaction.

7-12-81
ERED J. ROMANOFF

Subscribed and sworn to before me
this 6th day of October, 1981.

Raymond J. Romanoff
Notary Public, Wayne County, MI
My Commission Expires: 6-19-82

INSTRUCTIONS TO APPLICANT

1. PRELIMINARY STATEMENT - Submit one copy of this form and all appendices, whenever to SBA.

2. INFORMATION STATEMENT - Submit two copies of this form and all supporting documents to the public hearing, and all attachments must be right and dated.

(1) SBA Form 912 must be submitted in quadruplicate by the proprietor, or a sole proprietorship, to each partner, to a partnership, by each officer, director, and each holder of 20 percent or more of the voting stock, or a corporation, and other person, including a firm manager, who has authority to speak for and bind the applicant in the management of the business. In addition, applicants must submit a signed copy of SBA Form 241, "Request for Counseling," with the application.

(2) Attach to application a brief description and history of the business.

(3) Comment briefly on the benefits the business will receive if the loan is obtained.

(4) Attach a schedule on all installment debts, contracts, leases and mortgages payable, showing to whom payable, original amount, original date, present balance, rate of interest, maturity date, monthly payment, security and whether current or delinquent. (Attachments on this schedule should agree with the figures on the applicant's financial statement, indicated by an asterisk (*), name to be paid by loan proceeds and reason for paying same.)

(5) If construction is involved, state the estimated cost, source of any additional funds, which may be required to complete the construction and whether temporary financing for the construction is available. Attach preliminary plans and specifications with the application. Final plans and specifications must be submitted for SBA/Lender approval prior to commencement of construction if loan is approved.

(6) Share loan funds will be used for construction purposes, and the contracts or subcontracts are in excess of \$10,000, the Applicant must execute and submit with the application "Applicant's Agreement of Compliance," SBA Form 601, which is a non-discriminatory agreement issued pursuant to Executive Order 11246.

(7) Share purchase of machinery and equipment is involved, furnish a detailed list of items to be purchased and the estimated cost thereof.

(8) For each person listed as "Management" give brief description of education, technical training, employment and business experience.

(9) Attach balance sheets for the past 3 fiscal years.

(10) Attach balance sheet dated within 90 days from date of filing application with aging of accounts receivable and payable.

(11) Attach Profit and Loss Statement for past three fiscal years and for as much of current year as is available. (If operating statements are not available, explain why not and enclose corresponding Federal income tax returns in lieu thereof.) If past earnings do not show ability to repay proposed loan and existing obligations, attach an estimated profit and loss statement for at least one full year.

(12) Reclassification of net worth shall be provided for items (9) and (10) above.

(13) _____, furnish earnings projection (estimated profit and loss statement) for at least 2 full years.

(14) Personal Financial Statements must be submitted for proprietor, each partner, each officer, and each stockholder with 20% or more ownership. (For this purpose the enclosed SBA Form 612 may be used.)

(15) Details must be given of any pending litigation, whether applicant is plaintiff or defendant or any litigation that involves management of the applicant.

(16) A description of collateral is required. Attached SBA Forms may be used for this purpose. SBA/Lender may require resubmission of an appraisal.

(17) **SUBSIDIARIES AND AFFILIATES** - List on an attached sheet the names and addresses of (1) all concerns that may be regarded as subsidiaries of the applicant, including concerns in which the applicant holds a controlling (but not necessarily a majority) interest, and (2) all other concerns that are in any way affiliated, or signs, contracts or otherwise, with the applicant. The applicant should comment briefly regarding the trade relationship between the applicant and such subsidiaries or affiliates, if any, and if the applicant has no subsidiaries or affiliates, a statement to this effect should be made. Signed and dated balance sheets, operating statements and reclassification of net worth must be submitted for all subsidiaries and affiliates.

(18) **PURCHASE AND SALES RELATIONS WITH OTHERS** - Does applicant buy from, sell to, or use the services of, any concern in which an officer, director, large stockholder, or partner of the applicant has a substantial interest? Yes No. If "Yes," give names of such officers, directors, stockholders, and partners, and names of any such concern attached sheet.

(19) **RECEIVERSHIP - BANKRUPTCY** - Has applicant or any officer of the applicant or affiliates or any other concern with which such officer has been connected ever gone in reorganization or liquidation or bankrupt? Yes No. If "Yes," give names and details on reorganization sheet.

(20) **Previous Government Financing** - List assistance received, or requested and refused, and any pending applications.

Name of Agency or Department (including SBA)	Amount Approved or Requested	Date of Approval or Request	Present Balance	Status (Current, Delinquent, Insolvent, Defaulted)
SBA	\$100,000	May 12, 74	\$ 97,233	Delinquent

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PAGE TWO OF A

Dr. May 21 Superior, mines
13 1.7 miles
Saginaw, Michigan 227

OFFER TO PURCHASE
REAL ESTATE

Mayne	Commercial Building	Commercial Building
being known as	7928 McNicols	1948. The rear of the improvements now contain space equalling all garage floors.
Occupant	John Mayne	John Mayne, his wife, John, son, John, daughter, Sue, and their three children, John, Debbie, and Linda, all residing. The garage is rented, garage car
Comments	urchased when married	any new on the premises and is to pay therefore. The sum of \$750.00 for each month's rental.
Comments	belong to the lessee building and use fixtures, equipment and setting premises, if any, under the following conditions	the sum of \$100.00 for each month's rental.
Comments	the lessee	the sum of \$100.00 for each month's rental.

A. CASH SALE. Delivery of the vessel **WARRIOR**, Serial #8888888888888888, the payment of purchase money is to be made in cash or certified check.

B. CASH SALE WITH NEW MORTGAGE. Delivery of the vessel **WARRIOR**, Serial #8888888888888888, the payment of purchase money is to be made in cash or certified check. This agreement is contingent upon the purchaser being able to secure a **\$35,000.00** mortgage in the amount of **\$100,000.00** and pay **10% - 12%** down plus monthly fees, prepaid items, and adjustments in cash. Purchaser agrees to carry for such mortgage until such time as acceptance of this offer or until their expense. If a loan application for such mortgage cannot be submitted within **10 days** or acceptance of the Seller's offer, this offer can be rescinded and the down and deposit shall be returned as outlined on the **Offer to Purchase Agreement**.

D. **SALE ON LAND CONTRACT.** Payment of the sum of 100.00 Dollars, in cash or certified check, and the execution of a Land Contract acknowledging payment of right sum and calling for the payment of the remainder of the purchase money within 120 months from the date of Contract in monthly payments of not less than 100.00 Dollars each which include interest payments at the rate of 12% per annum and which DO NOT include prepaid taxes and insurance. If the Seller is unable to make the land acknowledged as an existing land Contract were signed terms and conditions substantially as above and the cash payment to be made by the买方 acknowledged as 100.00 Dollars, the Seller will pay the equity in assignment and conveyance of the vendee's interest in the land contract even on agreement by the Buyer to assume the unpaid owing amount, less 100.00 Dollars, in the event of default in payment of the land contract. The Seller will pay the documented funds held in escrow for the payment of prepaid taxes and insurance to the Buyer when proper payment.

2. The Seller shall deliver and the Purchaser shall accept possession of said property, subject to the rights of the following tenants: None.

The Seller occupies the property it shall be vacated on or before 10/1/2014 days prior to closing. From the date of closing to the date of closing the Seller agrees to pay the sum of \$20,000.00 per day. THE SELLER SHALL RETAIN from the amount due Seller or paying the sum of \$10,000.00 to the Buyer for the deficiency charge owing to the Purchaser the amount due him and returning to the Seller the unused portion as determined by date property is vacated and the sum remitted to Seller.

2. The sum of money authorized to make this offer and the cost of **150.00**
ships in form of checks hereinafter paid by me under Act 40, P. L. 442, Sept. 21, 1940, applied on the purchase price of the above item of
property to VIAL & F.H.A. SALES ONLY. It is a separate sum not applying to any other property at this address. The Purchaser agrees not
to go into or interfere with the business of the property described herein or to make any use, except as a temporary or casual visitor, except as an
agent or employee of the Purchaser or a written statement issued by the vendor, upon signature of Robert H. Morris, Salesman, upon receipt from the
agent or employee of the Purchaser, for temporary or casual visitor, of a written statement that the vendor hereby agrees
to the Purchaser temporary or casual visitor, to the extent of the time for which the vendor has agreed to let the vendor temporary or casual visitor, the property, and
not to interfere with the operation of the business which is being conducted at the time of the temporary or casual visitor, and that the vendor
will not interfere with the operation of the business which is being conducted at the time of the temporary or casual visitor.

ADDITIONAL CONDITIONS: The above terms are subject to the following: This offer is contingent upon 2 months' notice demanded for an S.B. Insurance plan or before 30 days from acceptance of this offer up to 60 days. Purchaser agrees to pay to Seller \$100,000.00 cash at time of closing and to pay Seller \$100,000.00 cash for S.B. Insurance for \$200,000.00 for 3 1/2 years. 3 1/2 interest rate, 1/12th of monthly payments.

GENERAL CONDITIONS of title offered on reference that are incorporated and made a part hereof. This is a general agreement and the following requirements are inserted to the particular benefit of the Attorney to protect their interest in the reference as follows:

RECEIVER'S ACKNOWLEDGMENT OF DEPOSIT

and be recorded on the first page of the logbook after one second is obtained.

ACCEPTANCE—TO THE ABOVE NAMED PURCHASER AND SPOKES

لَا يَأْتِي مِنْهُمْ بِأَيِّ شَيْءٍ بِلَا يَعْلَمُ بِهِ وَلَا يَأْتِي
مِنْهُمْ بِأَيِّ شَيْءٍ بِلَا يَعْلَمُ بِهِ وَلَا يَأْتِي

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二〇

GENERAL CONDITIONS

11/6. DITIONAL CONDITIONS FOR ESTABLISHING FIXTURES EQUIPMENT AND STOCK INVENTORY
AND DESCRIPTION AND VALUE OF APPRECIABLE EQUIPMENT BY SEPARATE
CAUSE AND SEPARATES, OF 1968 TAKE UP TO DATE IN 1968

Others recent have been the use of the computer to analyze the data.

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ESTIMATED PROJECTION AND TO LEAST OF TWO YEARS' PLANNING
 CERTAIN EXPLANATORY EXPLAINING BASIS FOR FIGURES SHOWING REVENUES, EXPENSES AND PROFITS)

ITEM	PERCENTAGE OF SALES	PERCENTAGE OF SALES
Gross Receipts	\$12,500.00 %	\$20,000.00 %
Cost of Goods Sold		
Opening Inventory, FABRIC	\$ 345.00 2.7%	\$ 570.00 2.8%
Materials	1,200 2.4%	1,200 2.4%
Direct Labor	2,125 4.1%	2,125 4.1%
Subcontract Costs, MFG. & SALES	24,000.00 5.6%	24,000.00 5.6%
Purchases	5,000 0.3%	5,000 0.3%
Overhead		
Less Ending Inventory		
Total Cost of Goods Sold	\$ 28,621.00 0.45%	\$ 39,621.20 0.38%
Gross Profit	\$ 9,878.98 0.52%	\$ 6,378.78 0.25%
Expenses, EXPENSES, UNAGRD. EXPENSES		
Officers' Salaries (if Corporation)...(4)	8,400 0.39	8,400 0.39
Employee Wages....(10)	8,896.8 0.35	9,780.4 0.35
Accounting and Legal Fees	1500 0.08	1550 0.08
Advertising	1,200 0.04	1,200 0.04
Exec. Management	1,436 0.04	1,536.9 0.04
Depreciation	18,000 0.01	19,800 0.01
Supplies	1,200 0.01	1,200 0.01
Electricity and Heat	3,460 0.02	3,560 0.02
Telephone	1,500 0.00	1,550 0.00
Interest	5,378.0 0.03	5,378.0 0.03
Travel, Business, Miles	4,852.8 0.01	4,920.0 0.01
Ch. off...Gross & COUNTY	1,072 0.00	1,052 0.00
Insurance, BLDG. & MFG. EQUIP.	1,452.2 0.02	1,572.8 0.02
Bankers' Expenses, COMM. CHARGE OTHER EXPENSE	1,024 0.00	1,024 0.00
Miscellaneous (Postage, etc.)	950 0.00	950 0.00
Total Expenses	\$ 45,928.0 0.25%	\$ 53,358.0 0.25%
Net Profit	\$ 50,172 0.25%	\$ 56,273 0.25%
Less: Federal Income Taxes	2,000.0 0.01	2,000.0 0.01
Less: State Income Taxes	4,005.5 0.01	4,005.5 0.01
Less: Corp. Income Taxes	1,202.7 0.00	1,202.7 0.00
Less: Capital Reserves/Partnership	1,475.0 0.01	1,475.0 0.01
Net Profit Available for Distribution	\$ 10,157 0.00	\$ 11,573 0.00

If due to labor, please license.

Estimated to be broken down in major expense categories, such as: Supplies, Direct Labor, etc., in separate schedules.

11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000

**BUSINESS PLAN**

Applicant _____

City & State _____

This "Abbreviated" Business Plan is for all new firms. More detailed publications are available from the U.S. Small Business Administration. The Management Assistance Program in the district office will provide more comprehensive business plans for your type of business or assist you in completing this form should you request it.

Use a separate sheet if necessary in answering questions to Part I. Some answers, such as number 3, should identify what standards you have investigated and which ones you must conform to in your type of business. Part II must be completed by all applicants for either SBA or Title I loans. Part III must be completed whenever such a direct loan application is to start a new business or in the other situations listed in that Part.

PART I**LOCATION**

1. Why did you select your present or the proposed location?

2. Is the neighborhood: new established residential commercial

3. Who will be your customers and why will they come to you at this location?

THE ONLY CLUB OF IT TYPE

4. What parking facilities are available to you? Will they be adequate?

YES

5. What are the terms of your lease (enclose a copy of the lease), or the terms of your mortgage? \$ 500,000
300,000 DRAFTED

200,000 LAND CONTRACT & 4% For 1 Year, 9 mos, 2 days

6. What is the physical condition of the building? good fair poor

7. What competition do you have in this location? None

Only soul food

8. Have you determined whether your building complies with local building codes and zoning ordinances? Occupational Health and Safety Regulations? Environmental Protection Act, Water, and Noise Regulations? Others?

Yes, it is in operation

9. What licenses or permits are you required to have to start operations?

FOOD, LIQUOR, SALE TAXE, ETC.

PRICING AND ADVERTISING

10. Your merchandise will fall into what price range? High Medium Low

11. Will you sell above or below? above below

12. If you offer credit, will your prices have to be higher?

NO

13. How do your prices compare with your competitors? If yours are higher, why will people buy from you?
DIFFERENT TYPE OF FOOD

14. What type of advertising will you use? radio TV handbill newspaper other (specify) _____
why? How often? How much will it cost?

FOR CUSTOMERS, every 4 TIMES A MONTH, \$1,000.00 PER MO.

PART II PROJECTED CASH FLOW

1. Your Investment	\$ 500,000				
2. Less Start-up Costs	126,221				
3. Remainder (**)	\$ 373,759				
	1st Month	2nd Month	3rd Month	4th Month	5th Month
4. Beginning Cash	\$ 373,759	12,520	155,604	186,964	218,164
Plus: Cash Sales	153,775	153,775	153,775	153,775	153,775
Collections of A/R's					
Loans and other cash income					
5. Total Available Cash	\$ 278,534	278,534	329,482	340,761	371,938
Purchase of Inventory	15,115	15,115	15,115	15,115	15,115
Employee Wages-Gross	7,414	7,414	7,414	7,414	7,414
Payroll Taxes, etc.	2,214	2,214	2,214	2,214	2,214
OUTSIDE SERVICES	715	715	715	715	715
State Supplies MATERIAL	12,249	12,249	12,249	12,249	12,249
Repairs and Maint.	1,178	1,178	1,178	1,178	1,178
Advertising	1,000	1,000	1,000	1,000	1,000
DEPRECIATION/DEPRECIATION	17,515	17,515	17,515	17,515	17,515
Accr'd. Legal, Etc.	125	125	125	125	125
EMERGENCY FUND	1,000	1,000	1,000	1,000	1,000
Telephone	125	125	125	125	125
Utilities	2,300	2,300	2,300	2,300	2,300
Blue Cross Insurance/Health/Disability	1,379	1,379	1,379	1,379	1,379
Real Estate Taxes	659	659	659	659	659
Interest on term loans	4,480	4,480	4,480	4,480	4,480
EMPLOYEE UNION BENEFITS	700	700	700	700	700
6. Total Expenses	\$ 80,293	80,293	83,293	86,293	89,293
7. Less #6	\$ 186,933	198,111	229,384	260,167	291,935
Less Owner's Withdrawals	10,200	10,200	10,200	10,200	10,200
8. Balance	\$ 150,791	167,911	210,299	230,197	261,935
Deposited in Bank	1,500	1,500	1,500	1,500	1,500
Deposited in SBA	5,000	5,000	5,000	5,000	5,000
Payment due SBA	5,000	5,000	5,000	5,000	5,000
Interest/Interest	20,000	20,000	20,000	20,000	20,000
9. Ending Cash (**)	\$ 145,922	145,922	139,795	133,192	127,935

(**) This figure represents the beginning cash for the first month.

(**) The ending cash for one period is the beginning cash for the next month.

(***) This column must agree with projected income statement.

PROJECTED CASH FLOW (cont'd)

1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	Total (***) 1-8 Months
2491340	280513	311696	342874	374052	4051230	435400		
253776	253776	153776	153776	153776	153776	153776	153776	1845326
162112	162112	162112	162112	162112	162112	162112	162112	
35115	35115	35115	35115	35115	35115	35115	35115	421391
7424	7424	7424	7424	7424	7424	7424	7424	68568
2214	2214	2214	2214	2214	2214	2214	2214	29526
715	715	715	715	715	715	715	715	9580
1249	1249	1249	1249	1249	1249	1249	1249	14988
1178	1178	1178	1178	1178	1178	1178	1178	14118
1000	1000	1000	1000	1000	1000	1000	1000	12000
1753	1753	1753	1753	1753	1753	1753	1753	21132
125	125	125	125	125	125	125	125	125
1300	1300	1300	1300	1300	1300	1300	1300	12300
125	125	125	125	125	125	125	125	125
1300	1300	1300	1300	1300	1300	1300	1300	16200
1373	1373	1373	1373	1373	1373	1373	1373	1373
659	659	659	659	659	659	659	659	7958
4480	4480	4480	4480	4480	4480	4480	4480	53760
700	700	700	700	700	700	700	700	8400
80293	80293	80293	80293	80293	80293	80293	80293	963532
122323	122323	122323	122323	122323	122323	122323	122323	881765
101207	101207	101207	101207	101207	101207	101207	101207	122400
312623	312623	312623	312623	312623	312623	312623	312623	753369
1500	1500	1500	1500	1500	1500	1500	1500	16000
5000	5000	5000	5000	5000	5000	5000	5000	50000
5605	5605	5605	5605	5605	5605	5605	5605	127260
20000	20000	20000	20000	20000	20000	20000	20000	240000
301213	301213	301213	301213	301213	301213	301213	301213	301213

PART IIIS. START-UP COSTS

Whether you are starting a new business, moving to a new location, opening a new branch, or expanding your business, you will have some "start-up" or one-time expenses. In all applications for such purposes, complete the appropriate items below and transfer the total to Part II.

1. Real Estate, Furniture, Fixtures, Machinery, Equipment:

- a. Purchase Price (if paid in full with cash) \$ _____
- b. Cash Down Payment (if purchased on credit) \$ 300,000
- c. Transportation and Installation Costs \$ _____

2. Starting Inventory

\$ _____

3. Decorating and Remodeling

\$ 800

4. Deposits

- a. Utilities \$ 230
- b. Rents \$ _____
- c. Other (Identify) \$ _____

4.5. Fees

- a. Legal, Accounting, Other \$ _____
- b. Licenses, Permits, etc. \$ 500
- c. Other (Identify) \$ _____

6. Initial Advertising Costs

\$ 1,000

7. Accounts Receivable (____ days sales)

\$ _____

8. Salaries and owner's draw until store opens for business

\$ 4,000

9. Other

SBA

\$ 100,000

TOTAL

\$ 406,550

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Summary of Collateral

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SCA APPRAISER'S VALUATION REPORT

PRACTICAL HANDBOOK

Name and Address of Applicant (Include Zip Code) 1111 S. 4th, 4282242

SIXTY EIGHT

**IMPORTANT INSTRUCTIONS FOR PREPARING THE LISTING OF
COLLATERAL OFFERED AS SECURITY FOR LOAN**

Page 1. Summary Of Collateral Offered By Applicant As Security For The Loan: This is a summarization of the detailed listing on SBA Form 1, Schedule A, if collateral is to be acquired, with proceeds of loan describe the collateral in detail as an attachment to Schedule A with the notation "To be separated".

Show exact cost. If assets were acquired from a predecessor company at a price other than cost, less depreciation.

The figures to be entered in the net book value column must agree with the figures shown in the balance sheet, on page 2 of the application, except for the assets, if any, not being offered as collateral and non-business assets, if any, which are being offered to secure guarantees.

If a recent appraisal has been made of the collateral offered, it should be submitted with the application.

Any leases on land and buildings must be described, giving date and term of lease, rental, name and address of owner, and name and address of lessee.

Page 1. First Estimate

Item 1 - Land and Improvements: (a) legal description from deed on the land - location - city where deed is recorded. Book and page numbers of Official Records. Describe the land improvements such as paving, utilities, fence, etc. (b) cost of land when purchased.

(b) cost of land when purchased.
Item 2. Buildings: (a) general description, describe each building or structure on the land. Include size, type of construction, number of stories, date erected, use and condition. (b) amount of taxes and the assessed value from tax bills. (c) total amount of income received by owner from rental of the described property. (d) cost of building when purchased.

INADEQUATE OR POORLY PREPARED LOAN APPLICATION AND LISTING OF COLLATERAL ON PAGE 3 WILL CAUSE DELAY IN THE PROCESSING OF LOAN APPLICATIONS.

Page 3 - It is most IMPORTANT that applicants make an ACTUAL PHYSICAL INVENTORY OF THE EQUIPMENT being offered as collateral. DO NOT TAKE FROM BOOK RECORDS. Actually list each in accordance with the classification, e.g.: 1. Machinery and Equipment; 2. Automobile Equipment; 3. Office furniture and equipment; 4. Other - See the Schedule for examples.

Report by the Standing Senate Committee on Social Affairs, Science and Technology

Page 16 is a continuation of Equipment being offered.

Group items in accordance with the above classifications

**SHOW: manufacturer or make, model and serial numbers, size, year, whether purchased new, used, or rebuilt.
BE SURE ITEMS LISTED CAN BE READILY INSPECTED BY SBA APPRAISERS.**

SUMMARY			Not to be used by applicant
Item	Cost	Net Book Value	
1. Land and improvements	20,391		
2. Buildings	36074		
3. Machinery and Equipment	163371		
4. Automobile Equipment	65182		
5. Office furniture and equipment	47530		
6. Other Depreciation	130569		
7. Total	121,9361		
8. Real and chattel mortgages (Not to be paid from SBA loan req.). Attach details	XXXXX		
9. Equity	XXXX	318792	
10. To be acquired (Cost)		XXXX	
11. Total			

THE APPRAISER CERTIFIES that he has personally and thoroughly inspected the collateral as listed in this Report. Furthermore, as of _____ the market values shown in the above Summary are fair and reasonable as of that date. Additional comments are attached to this Report.

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Real Estate	
OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT	
Name and Address of Applicant (include Zip Code) <input type="text"/> Parcel number <input type="text"/>	SBA LOAN No. <input type="text"/>
Willis W. Chapman	Title data: <input type="checkbox"/> Title Insurance <input type="checkbox"/> Abstract <input type="checkbox"/> Other (indicate)
Address of Realty Offered <input type="text"/> 7525 N. McNichols Rd. Detroit Michigan 48221	Realty in name of <input type="text"/>
	Recorded Book <input type="text"/> Page <input type="text"/> County <input type="text"/>
1. Land and land improvements (Do not include buildings - see Sec. 2 below)	
Cost <input type="text"/> 2125,000.00	Date acquired <input type="text"/> 25-12-1960
Legal description (Attach if too long)* S-W McNichols Rd. 339 thru 337 The Garden Addition Blk 2 Lot 59 Plats W.C.R.	
Custom's Parking Lot	92:01 X105:46
* If available, attach plat survey.	
2. Improvements <input type="checkbox"/> Building <input type="checkbox"/> Cost (If separate from land) <input type="text"/> 360718.00	
Building description: List each building separately with brief description and dimensions.	
(1) story Brick with 22490 cu. ft.	
Restaurant first floor has two levels, there is a upper level which is the restaurant, there is a lower level with a private room for 125 people, there is a basement which houses equipment, meat freezers and storage area, and work area.	
Items if applicable:	
Rest <input type="checkbox"/> Wash <input type="checkbox"/> Assembly <input type="checkbox"/> Draw <input type="checkbox"/> Total <input type="checkbox"/>	Assessed Value Land <input type="text"/> Improvements <input type="text"/> Total <input type="text"/>

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Real Estate

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SBA APPRAISER'S VALUATION REPORT

Name and Address of Applicant (include Zip Code)	Parcel number	SBA LOAN No.
Address of Realty Offered	Title data: <input type="checkbox"/> Title Insurance <input type="checkbox"/> Abstract <input type="checkbox"/> Other (Indicate)	
	Realty in name of	
	Recorded Book	Page _____ County _____

1. Land and land improvements (Do not include buildings - see Sec. 2 below)

Cost \$ 76,947 date acquired _____

Legal description (Attach if too long)*

S-W McNichols Rd. Lots 30 x 100 and 60 x 100, W.25 ft.

* If available, attach plat survey.

2. Improvements Cost (If separate from land) \$ _____

Building description: List each building separately with brief description and dimensions.

Length of Application:

Year _____ Month Annually Lease _____ Term

35

Assessed Value	
Land	_____
Improvements	_____
Taxes	_____

Personal Property (Chattels)

OFFERED BY APPLICANT AS SECURITY FOR LOAN AND SEA APPRAISER'S VALUATION REPORT

7549 4. McIlwane Rd. Detroit Michigan 48204

ENCL 100-100

SAC-100-100

Above location is owned by (X) leased ()

It is most IMPORTANT that applicants make an ACTUAL PHYSICAL INVENTORY OF THE EQUIPMENT being offered as collateral. DO NOT TAKE FROM BOOK RECORDS. Actually list each item in accordance with the classification, e.g. 1. Machinery and Equipment 2. Automotive Equipment 3. Office Furniture and Equipment

4. Other - jigs, dies, fixtures, airplanes, etc.

Show: manufacturer or make, model and serial numbers, size, year, whether purchased new, used or rebuilt.

List chattels at different locations on separate sheets.		Model	Serial Number	New Used Or Both	Cond.	NOT TO BE USED BY APPLICANT Market Value
1- Chair				10		
2- File cabinets				10		
1- Desk				10		
1- Adding Machine				10		
1- Check protector				10		
1- Mail safe				10		
1- Bay & Back Bar				10		
1- Motor Wash Register 51-E5-4 (elching 12)				10		
1- Enclosed 4 car Garage				10		
1- Radio				10		
1- 12" Television TV Set				10		
1- Bar Stools				10		
1- Campaign Chairs				10		
2- Tables				10		
5- Dining Tables				10		
2- Conference Table				10		
4- Oil Paintings				10		
12- Framed Pictures & Plaques				10		
2- Two Top Tables				10		
22- Four Top Tables				10		
1- Round Table				10		
1- Service Shopline				10		
1- Telephone Stand				10		
1- Paper Dispenser Stand 12" x 12" x 20"				10		
1- Phone Case Register 1400-24				10		
2- Household Bicycles				10		
2- Building Shop Bicycles				10		
1- Large 4 door Station				10		
1- Delivery Van				10		
1- Electric Welding Machine				10		
1- Garage Door				10		
1- Display Case, Metal, Knockdown				10		
1- Water Treatment Treatment Unit				10		
1- Separate Service Stands				10		
1- Chairs				10		
9- Young Formica Top Tables				10		
21- "Pakal" Formica Top Tables				10		
9- 10" x 16" Formica Top Tables				10		
1- Wine Dispenser & Back Bar				10		
1- Coffee Urn & Stainless Steel Base				10		
1- Metal Box				10		
1- 47" Bar				10		
1- Cedar Range				10		
1- 42" x 24"				10		
2- Metal 2 S. Drawers				10		
1- 272A-762				10		

Carry Totals of Each Classification to Page 1

(Summary Lines 2, 3, 4, and 5)

Total

INADEQUATE OR POORLY PREPARED LOAN APPLICATION AND LISTING OF COLLATERAL WILL
CAUSE DELAY IN THE PROCESSING OF LOAN APPLICATIONS. BE SURE ALL ITEMS CAN BE READILY
INSPECTED BY SEA APPRAISER.

1- *Handwritten Signature* *10-2-75*

of the

Name of Owner

note that the above machinery and equipment having requirements as listed should be removable from the building. Many items are valuable as parts or service if they are taken in disconnected units or value of which cannot be paid off from an SBA loan. Carry total of such balance on line 8, page 1, Itemized.

Continuation of Personal Property (Chattels)

Description of _____

	Model	Serial Number	Inv Card Number	NOT TO BE USED BY APPLICANT	
				Card	Market Value
1- Hanging Maintenance Bag Holder			3		
1- Stainless Steel Sinks			4		
1- Dish Bars - Stainless Steel			5		
1- Metal Work Table			6		
1- Warm Hot Food Table			7		
2- Metal Work Tables			8		
7- Transistor Radio			9		
1- Hair Dryer			10		
1- 8' Sta-Kold Reach in Refrigerator			11		
1- Hobart Mixmaster with 2 Standard Steel Dish Pails and Waste King Disposal			12		
1- Reach in Refrigerator Counter with Louvre and Stainless Steel Shelf			13		
60- Bed Wing Trays			14		
25- Glass Macks			15		
10- Silver Holders			16		
5- Champagne Stands			17		
1- Hobart Potato Peeler			18		
1- Can Crusher			19		
3- Junior Chairs			20		
15- Chairs			21		
1- Wurlitzer Coinop Piano			22		
25- Buffet Tables			23		
1- HAF			24		
1- HAF Cash Register (10-25-102)			25		
1- Water Cooker and Sink			26		
2- Service Stands			27		
1- Standard Dishwasher and Back			28		
5- Bassets			29		
1- Stainless Steel Sink			30		
1- Melting Wax Stand			31		
1- Hammer Case 102-122			32		
1- Water Heater Warmer			33		
2- Refrigerator Ice Machines			34		
1- Water Dispenser Dispenser and Sink			35		
1- Salton Radio w/ # 10 Scale			36		
1- Salton Radio w/ # 10 Scale			37		
1- Electric Shaver			38		
1- Standard Cheese Grinder			39		
2- 10' Work Tables			40		
1- 11' Work Block			41		
1- 14" x 12" Walk in Box			42		
1- Herring Saw			43		
1- Bus Motor RV set			44		
1- 10'x12' Walk in Freezer Beer Cooler			45		
1- Meat Slicer			46		
1- 17'x12' Walk in Freezer			47		
25- Ice Cream			48		
Dinnerware			49		
Canner			50		
51- 16oz. Wine			51		
Chips			52		
Glass Ware			53		
Wineglasses, Pot, Pans			54		
Menus, Place Mats, Etc.			55		
Clothes and Linen			56		
Food			57		
Liquor, Wine, Beer,			58		
Unopened packages			59		
11- 16oz. Cans of Beer			60		
Cassier Box			61		
Cashbox			62		
Boxed in Lighting			63		
Shaver stand, Haircut			64		
Refrigerator, Freezer, etc.			65		

Total Value of Personal Property in Part I
Chattels Form 1, 2, 3 and 4

57

Total

41,117.00

3375 EAGLES BLDV.
DETROIT, MICHIGAN 48200

PERSONAL DATA

Birthdate	October 2, 1922
Height	5' 6"
Weight	165 lbs.
Health	Excellent
Marital Status	Married
Dependents	1
Military Status	Veteran January 3, 1943 - January 3, 1946 Honorable Discharge - Rank T/S

PROFESSIONAL OBJECTIVE

To own, operate and successfully manage a domestic new car dealership; and to provide training with eventual employment for young men in the fields of auto selling, service and mechanics.

EDUCATION

Cass Tech High
Commerce High
Wayne State University/
Dealers' Sales Training School

Received Diploma
Business Courses
Liberal Arts (2 Yrs.)
Received Certificate of
Satisfactory Completion in the
following areas:

Dealership Management
Office Management and
Accounting
Automotive Accounting
Retail Management
Sales Training
Service Training

PROFESSIONAL AFFILIATION

NAMD (National Association of Market Developers)

MAJOR EXPENSES
BUDGET
NON-CONTROLLABLE OVERHEAD COSTS

Insurance -f
Independance Agencies Inc.
Policy # 2P3060690
Pat Roche 352-6900
Expires May 1979

COVERAGES	AMOUNTS	CO. INS. %
Building	\$580000	
Machinery and Equipment	150000	
Inventories or Stock of Goods	150000	
Automobiles		
Personal Property		80 %
Business Interruption	200000	50 % of Gross
Workman's Compensation		
Burglary and Theft	150000	
Fidelity Bonds		
Body	300000	-1000 Med. 1000000 Death
Property	100000	
Car.-Keeper Customer's Car	22500	
Liquor Liability		
Umbrella Liability	1000000	
TOTAL COST	\$32512	
Interest	1st. year for 3 Loans	65260
Taxes General	real estate, Equipment.	15900
Loan Payment	1st. year	143260
W.C.		8642
Class "C"		16871
Bonds "Z"		58

2-2-39

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PERSONAL INFORMATION AND Hobbies

Psychology, golf and music

July 7 to June 75 - Chepp's Service, Sahuarita

EMPLOYMENT HISTORY Sept 75 to Jan 1974 Drazenbeck & Son Cadillac Co.

April, 1971
to
Present Sept. 1973

Mathews Cadillac
Dearborn, Michigan
- Salesman -

January, 1968
to
January, 1971

Ed Davis, Inc.
Detroit, Michigan
- Salesman -

July, 1967
to
January, 1968

McDonald Ford
Detroit, Michigan
- Salesman -

May, 1967
to
July, 1967

Bart Lincoln-Mercury
Detroit, Michigan
- Salesman -

December, 1966
to
May, 1967

Johnny Motor Sales
Detroit, Michigan
- Salesman -

May, 1967
to
December, 1967

Challente Dodge
Detroit, Michigan
- Salesman -

January, 1968
to
May, 1968

Ed Davis, Inc.
Detroit, Michigan
- Salesman -

EMPLOYMENT HISTORY - CONT'D

June, 1963
to
December, 1963

Jim Worth
Detroit, Michigan
- Salesman -

March, 1961
to
May, 1963

DuPont Realty
Detroit, Michigan
- Salesman -

March, 1960
to
February, 1961

Benjamin Rich Realty
Detroit, Michigan
- Salesman -

July, 1958
to
March, 1960

H. M. Seldon Company
Detroit, Michigan
- Salesman -

March, 1956
to
June, 1958

Leo Adler - DeSoto
Detroit, Michigan
- Salesman -

September, 1955
to
March, 1956

Louis Rose - DeSoto
Detroit, Michigan
- Salesman -

January, 1948
to
August, 1955

Kaiser-Frazer
Detroit, Michigan
- Salesman -

PERSONAL REFERENCES

- Supplied upon request.

43

John G. Brown President

— 34 —

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and, requires, requires of other representations to be made to the performance of his employees in SIA. However, such representations in the course of his employment may be necessary to the preparation of certain documents, SIA will allow the person to make false or other representations for service and for such representations as required by law.

4. Requirements (Part 102, Sec. 102.15) prohibit representations from charging or proposing to charge any contingent fee for any services performed in connection with SBA loans unless the amount of such fee bears a necessary and reasonable relationship to the services actually performed, or is a charge for which it is deemed by SBA to be appropriate for the services actually performed, or no charge for any expenses which are not demand by SBA to be necessary in connection with the application. The Requirements (Part 102, Sec. 102.15) also prohibit the payment of any bonus, breakage fee or commission in connection with SBA loans.

One with those Regulators SBA will not approve placement or finder's fees for the use as accomplice use or influence in obtaining or trying to obtain a SBA loan, or fees based solely upon a percentage of the approved loan or any part thereof.

who will be approved will be limited to reasonable time for services actually rendered in connection with the application or the planning, based upon the time and effort required, the qualifications of the representative and the nature and extent of the services rendered by such representative.

1. In the space provided, list the names and addresses as in their correspondence for services rendered in connection with this loan. In the responsibility of the applicant to set forth in the appropriate section of the application the names of all persons or firms engaged by or on behalf of the applicant. Appointees are required to advise the SBA Field Office in writing of the names and fees of all representatives engaged by the applicant subsequent to the filing of the application.

the payment of fees, or the reasonableness of fees, should communicate with the Field Office whose jurisdiction is involved.

AMES OF ATTORNEYS, ACCOUNTANTS, AND OTHER PARTIES. The names of all attorneys, accountants, appraisers, agents, and all other persons whether individuals, partnerships, associations, or corporations engaged by or on behalf of the applicant (whether on a salary, retainer or fee basis and regardless of the amount of compensation) for the purpose of rendering professional or other services of any nature whatever to applicant, in connection with the preparation or presentation of this application to Bank, in which SBA may participate or may loan to applicant as a result of this application; and the fees or other charges or compensation paid or to be paid therefor or for any services or disbursements with the application or disbursement of the loan, either in money or other property of any kind whatever, or for the use and/or the services of the applicant, together with a description of such services rendered to be rendered, are as follows:

Name and Address (Include ZIP Code)	Description of Services Rendered and to be Rendered	Total Compensation Agreed to be Paid*	Compensation Already Paid*
None			

REAGREEMENT OF NON-EMPLOYMENT OF SBA PERSONNEL. In consideration of the making by the SBA to applicants of all or any part of the loan applied for in this application, applicant hereto agrees with SBA that applicants will not, for a period of two years after disbursement by SBA to applicants of said loan, or for any period thereafter, employ or render any service or employment to, or retain for professional services, any person who, on the date of such disbursement, or within one year prior to said date, (i) shall have served as an officer, director, agent, or employee of SBA and (ii) in such, shall have occupied positions or engaged in activities which SBA shall have determined, or may determine, involve competition with respect to the granting of assistance under the Small Business Act or Economic Opportunity Act or said Acts as they may be amended from time to time.

ENTIFICATION, *Theromyces* genus

The applicant has read SBA Policy and Regulations concerning representations and their fees (700.000) and has not paid or incurred any obligation to pay, directly or indirectly, any fee or other compensation for obtaining the loan herein applied for.

The applicant has not paid or incurred any compensation to per to any Government Employee or Special Government employee per law, statute or regulation of value for obtaining the guarantee herein applied for. If such fee, statute, etc. has been solicited by the such employee, the applicant agrees to repay such compensation to the Office of Small Business, SBA, 1401 L Street, N. W., Washington, D. C. 20409.

All information contained above and in exhibits attached hereto are true and complete to the best knowledge and belief of the applicant and are submitted for the purpose of inducing SBA to grant a loan or to participate in a loan or to serve as other lending institution to applicant. Whether or not the loan herein applied for is approved, applicant agrees to pay or reimburse SBA for the cost of any survey, title or mortgage examinations, appraisal, etc., performed by non-SBA personnel with consent of applicant.

The applicant hereby covenants, promises, agrees and gives herein the assurance as required by 12 CFR 112.8 and CFR 113.3 that in connection with any loan to applicant which SBA may make, or in which SBA may participate or guarantee as a result of this application, it will comply with the requirements of Parts 112 and 113 of SBA Regulations and Title V of Civil Rights Act of 1964 to the extent that such Parts 112 and 113 are applicable to such financial assistance, and further agrees that in the event it fails to comply with such applicable Parts 112 and 113, SBA may call, cancel, terminate, demand repayment or suspend in whole or in part the financial assistance provided or to be provided by SBA, and that SBA, or the United States Government may use any other action that may be deemed necessary or appropriate to effectuate the nondiscriminatory requirements of said Parts 112 and 113, including the right to rescind or cancel any of the terms of this **ASSURANCE OF COMPLIANCE**. These requirements prohibit discrimination on the grounds of race, color or national origin by recipients of federal financial assistance, including but not limited to procurement procedures, and require the publication of appropriate reports and access to books and records. These requirements are applicable in all contracts and agreements in interest.

CHAPPY'S ATHLETIC GEAR INC.

Digitized by srujanika@gmail.com

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Table 2: Summary of Results

GATE Scores

APPLICATION FORM

Applicant/Information About You

Wells W. Chappman

151 Greenfield Ave. Apt. 14

Detroit Michigan 48235

584-7459

Information About Your Business

HAPPY'S ATHLETIC CLUB INC.

1425 W. Menichels Rd.

State, Zip Code

Michigan 48221

Phone

Date Incorporated

1974

Employer I.D. Number

94 After Approval 44

Your business has an account

Information About Management: List the name of all owners (having 20% or greater interest), officers, directors, and/or partners. Provide the percent of ownership and the annual compensation.

1. Name	% of Ownership
Wells W. Chapman Jr.	65
2. Name	% of Ownership
151 Greenfield	35.66
3. Name	% of Ownership
4. Name	% of Ownership
5. Name	% of Ownership
6. Name	% of Ownership
7. Name	% of Ownership

How You Plan to Use the Loan Money

<input checked="" type="checkbox"/> Purchase <input type="checkbox"/> Equipment	Amount for Purchasing	Amount for Equipment
	\$ 5	\$ 5
10. New Equipment	Amount for New Equipment	
	\$ 5	
11. Working Capital	Amount for Working Capital	
\$ 0.00	\$ 5	
12. Accounts Receivable	Under "S" Instructions	
	\$ 300,000.00	

Total Loan Requested \Rightarrow \$ 400,000.

Term of Loan \Rightarrow Years: 10 Years

Summary of Collateral

	Present Market Value	Present Mortgage Balance	Cost Less Encumbrance
1. Land Building	\$ 23259		
2. Inventory			
3. Accounts Receivable			
4. Inventory Equipment	\$ 448553		
5. Furniture Fixtures	\$ 47338		
6. Net	\$ 470715		
7. Total Total	\$ 124671		

FOR OFFICIAL USE ONLY

Information About Your Business

List the names of attorneys, accountants, appraisers, agents, or other persons rendering assistance in preparation of this form.

Name and Address _____ Date Form Filled _____

Name and Address _____ Date Due _____

Name and Address _____ Date Form Filled _____

Name and Address _____ Date Due _____

INSTRUCTIONS FOR APPLICATION FORM

Sections I, II, III. Please provide the information requested. "You" refers to the proprietor, general partner or corporate officer signing this form.

Section IV. Use of the loan money: If your use of the loan fits one of the categories listed on the application form, please fill out this section. If you use "other" submit a list on a separate sheet of paper and label the list Exhibit A.

Section V. Summary of collateral: If your collateral consists of (A) Land and Building, (B) Inventory, and/or (C) Accounts Receivable, fill in the appropriate blanks. If you are using (D) Machinery and Equipment, (E) Furniture and Fixtures, and/or (F) Other, please provide an itemized list (labeled Exhibit B) that contains serial and identification numbers for all articles that had an original value greater than \$500.

Section VI. Provide the information requested for all professional services used while preparing the application. You will be asked to complete another form after loan closing that will itemize compensation actually paid for services rendered in connection with this application.

Yes	No	CHECKLIST FOR APPLICATION PACKAGE
<input checked="" type="checkbox"/>	<input type="checkbox"/>	All exhibits must be signed and dated by person signing this form.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	1. Have you submitted SBA Form 312, Personal History Statement, for each person (e.g. owners, partners, major stock holders, etc.) the instructions are on SBA Form 312?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	2. Have you filled out a personal balance sheet (SBA Form 413 may be used for this purpose) for each stockholder (with 20% or greater ownership), partner, officer, and owner. Label this Exhibit C.
<input type="checkbox"/>	<input type="checkbox"/>	3. Have you included the statements listed below: 1,2,3 for the last three years; 1,2,3,4 dated with a 30 days of filing the application; and statement 5? This is Exhibit D. Management Assistance has Aids that help in the preparation of financial statements.
<input type="checkbox"/>	<input type="checkbox"/>	1. Balance Sheet 2. Profit and Loss Statement 3. Reconciliation of Net Worth 4. Aging of Accounts Receivable and Payable 5. Earnings projections for at least one year (If Profit and Loss Statement is not available, explain why and substitute Federal Income Tax Forms.)
<input type="checkbox"/>	<input type="checkbox"/>	4. Have you completed a list which contains the original date and amount, present balance owed, interest rate, monthly payment, maturity and security for each loan or debt that your firm has currently has? Please indicate whether the loan is current or delinquent. An asterisk (*) should be placed by any of the debts that will be included with the SBA loan. This should be Exhibit Exhibit E.

46

expected benefits it will receive. Do the loan? If not, you must do so." 13 Exhibit F

- 6. Have you provided a brief description of the educational, technical and business background for all the people listed in Section III under management? If not, you must do so. Please mark it Exhibit G.
- 7. Do you have any co-signers and/or guarantors for this loan? If so, please submit their names, addresses and personal balance sheets as Exhibit H.
- 8. Are you buying machinery or equipment with your loan money? If so, you must include a list of the equipment and the cost. This is Exhibit I.
- 9. Have you or any officers of your company ever been involved in bankruptcy or insolvency proceedings? If so, please provide the details as Exhibit K.
- 10. Are you or your business involved in any pending lawsuits? If yes, provide the details as Exhibit L.
- 11. Do you or your spouse or any member of your household, or anyone who owns, manages, or directs your business or their spouses or members of their households work for the Small Business Administration, Small Business Advisory Council, SCORE or ACE? If so, please provide the name and address of the person and the office where employed. Label this Exhibit M.
- 12. Does your business have any subsidiaries or affiliates? If yes, please provide their names and the relationship with your company along with a current balance sheet and operating statement for each. This should be Exhibit N.
- 13. Do you buy from, sell to, or use the services of any concern in which someone in your company has a significant financial interest? If yes, provide details on a separate sheet of paper labeled Exhibit P.
- 14. If your business is a franchise, have you included a copy of the franchise agreement? Please include it as Exhibit R.
- 15. If you or any principals or affiliates have ever requested government financing, list the name of the agency (including SBA), the amount requested or approved, date of request or approval, present balance, and status (i.e.,

of SIA is required that, from application 1/1/01 until and including two years thereafter, an employee or consultant of SIA shall not be employed by the SIA during the one year period prior to the expiration of the term.

Certification: I/We certify: (a) I/We have not paid anyone connected with the Federal Government for help in getting this loan. I/We also agree to report to the SBA Office of Security and Investigations, 1411 L Street N.W., Washington, D.C., 20410, any Federal Government employee who offers, in return for any type of compensation, to help get this loan approved.

(b) All information in this application and the Exhibits is true and complete to the best of my/our knowledge and is submitted to SBA on SBA's own decision whether to grant a loan or part thereof with a funding institution in a loan to me/us. I/We agree to pay for or reimburse SBA for the cost of any surveys, title or mortgage examinations, appraisals etc., performed by non-SBA personnel provided I/We have given my/our consent.

(c) I/We give the assurance that we will comply with sections 112 and 113 of volume 13 of the Code of Federal Regulations. These Code sections prohibit discrimination on the grounds of race, color, sex, religion, marital status, handicap, age, or national origin by recipients of Federal financial assistance and require appropriate records and access to books and records. These requirements are applicable to anyone who buys or takes control of the business. I/We realize that if I/We do not comply with these non-discrimination requirements SBA can, call, terminate, or accelerate repayment of my/our loan.

Authority to Collect Personal Information: This information is provided pursuant to Public Law 93-579 (Privacy Act of 1974). **Effects of Non-disclosure:** Omission of an item means your application might not receive full consideration.

17/ We authorize disclosure of all information submitted in connection with this application to the financial institution agreeing to participate in the loan.

As consideration for any Management and Technical Assistance that may be provided, I will waive all claims against SCA and its consultants.

I/We understand that I/We need not pay anybody to deal with SBA. I/We have read and understand Form 384 which explains SBA policy on representatives and their fees.

For Guaranty Loans please provide an original and one copy Photocopy is Acceptable of the Application Form, and all Exhibits to the participating lender. For Direct Loans submit one original copy of application and exhibits in § 7.1.

It is against SBA regulations to charge the applicant a percentage of the loan proceeds as a fee for preparing this application. If you make a statement that you know to be false or if you ever value a security in order to help obtain a loan under the provisions of the Small Business Act you can be fined up to \$5,000 or be put in jail for up to two years, or both.

CONSTRUCTION LOANS ONLY

- 16. Have you included in a separate exhibit (Exhibit T) the estimated cost of the project and a statement of the source of any additional funds? If not, please do so.
- 17. Have you filed all the necessary compliance documents (SBA Form Series 501)? If not, loan officer will advise which forms are necessary.
- 18. Have you provided copies of preliminary construction plans and specifications? If not, include them as Exhibit U. Final plans will be required prior to disbursement.

DIRECT LOANS ONLY

13. Have you included two bank certification letters with your application? These letters should include the name and telephone number of the persons contacted at the bank, the dates and terms of the loan, the reason for decline and whether or not the bank will participate with SBA, as well as 714-7824 names on one letter and no address on the other.

Signature of Preparer of Order Form Annex

Print or Type Name of Person

Academy of India

12. گلستانی، علی، ۱۳۹۰، *سیاست اسلامی ایران*، ناشر: نگاه اسلامی.

136 Date

City of Albion —

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Journal of Computer Science

FINANCING PROPOSAL
FOR
CHAPPY'S ATHLETIC CLUB INC.
To be submitted to
INDEPENDENCE CAPITAL FORMATION INC.
and
THE SMALL BUSINESS ADMINISTRATION
and
BANKS

WILLIS W. CHAPMAN
8550 Greenfield Rd. Apt. 14
Detroit Michigan 48228
584-7659

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SPECIAL EVENTS

	Mon	Tues	Weds	Thur
Breakfast---	5 am			
Show-----	7 am to 9 am			
Dancing-----	24 hours			
Lunch-----	11 am			
Show-----	12 Noon to 1:30 pm			
Denner-----	5 pm to 3 am			
Show-----	6:30 pm to 7:30 pm			
Denner-----	until 3 am			
Show-----	12:30 am to 1:30 am			
Dancing-----	24 hours			
A show every 5 hours				
A show 4 times a day				
Band				
Dancers				
Singers				
Comedians				
Instrumentalist				
Class "C" License with Take-				
Chappy's Meetings	Bing			
Automobile Banquet		1:00		
School Weddings		to		
Meetings Private		6:00		
Banquets Parties		pm		
Weddings		Se		
Private Parties		C		
Mon	Tues	W		

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PERSONNEL STAFF

Staff			
1- Exc. Chef			\$ 18,000
2- Chef- Soc	(\$31,746.)		\$ 15,873 ea.
6- Cook's helpers	(\$27,000.)		\$ 4,500 ea.
3- Officers- Pres.,Gen.Mgr., Ass.Gen.Mgr., Facilities Mgr.	(\$91,000.)		\$ 30,600 ea
2- Pantry girl	(\$3.00 per hour)	(\$ 9,000.)	\$ 4,500 ea.
2- Dishwashers	(\$3.00 per hour)	(\$ 9,000.)	\$ 4,500 ea.
4- Busboy	(\$3.00 per hour)	(\$18,000.)	\$ 4,500 ea.
1- Officer,Cashier,Bookkeeper,Office Mgr.			\$ 30,600
2- Waiters (captain)	(\$3.00 per hour)	(\$ 9,000.)	\$ 4,500 ea.
3- Food checker	(\$2.00 per hour)	(\$ 8,000.)	\$ 4,000 ea.
1- Bar Manager	(\$250. per week)	(working)	\$ 12,000
2- Bar-tenders	(\$225. per week)	(\$21,600.)	\$ 10,800 ea.
2- Waiters	(\$2.00 per hour)	(\$ 9,216.)	\$ 4,608 ea.
10- Waitress	(\$2.00 per hour)	(\$46,080.)	\$ 4,608 ea.
1- Maintenance			\$ 12,000
1- Maintenance Repairman-Equipment			\$ 14,000
2- Hat and Coat checkers,Sales person	(Leases)		
2- Security Personnel(\$250. per week)	(\$24,000)		\$ 12,000 ea.
2- Ass. Manager(Bingo)\$100. per week)	(\$ 9,600)		\$ 4,800 ea.
2- Hostess	(\$150. per week)	(\$14,400)	\$ 7,200 ea.
2- Maitre d'	(\$250. per week)	(\$24,000)	\$ 12,000 ea.
Total salaries projections			(\$439,042)

Employee benefits is established by the union contract and management. The experienced and professional personnel of managers and service staff and kitchen staff has been in existence for the past 25 yrs. Because of the existing union, a wage and benefit package has attracted professional in the past, and this will continue under the management of Chappy's Athletic Club, Inc.

-4-

SOURCES AND APPLICATION OF FUNDS

Sources

1. Mortgage Loan	ICF or Bank 15 yrs. \$400,000.00 10 1/2% pymt. \$5605.
2. Term Loan	SBA 10 yrs. \$110,000.00 8 1/2% pymt. \$1375.
3. Term Loan	Landcontract 5 yrs. \$200,000.00 9% pymt. \$5000.

Applications

1. Purchase of Building-Land-Equipment-Contents	\$300,000. Cash
2. Working Capital	\$100,000. Cash

Total Loan

\$400,000.

TO BE SECURED BY ASSETS OF THE BUSINESS

AND

SEA GUARANTEE 90%

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MARKET ANALYSIS
OF
CHAPPY'S ATHLETIC CLUB INC.
MARKET PLACE

METHODOLOGY- SURVEY

Analyzing my market by separating black which represent 80% or approximately 1000000. people, which is my market, 26,000. white home owners, 3,000. whites at U.D. COLLEGE, and 1,000 who work in the area. Detroit Chamber of Commerce, and U.S. Census 1970- source of data.

Materials gathered let me know that my business location is good and in a above average income area, also lets me know that the building and equipment is a very good investment.

DEMOGRAPHICS

Spring, Summer, Fall, Winter.

Houses, Davison Ave. business area, Fenkell St. business area, Puritan St. business area, McNichol Rd. West business area, 7 mile rd. business area, 8 mile Rd. business area, Woodward Ave. business area Livernois business area, Meyers Rd. business area, Schaefer Rd. business area, Greenfield Rd. business area. This geographical survey which is not the total market place, represent an effective buying income.

Chappy's can be reached by bus, car, taxi, expressways, walk.

POPULATION CHARACTERISTICS-(Metro figures)

12 to 17 year olds future market is not included

Survey- 1970 census- 2.5% uncensused, not included, also cities such as INKSTER, RIVER ROUGE, WARREN, BERAY, HAMTRAMCK, HIGHLAND PARK, not included. Population growth plus Tourism and Conventions.

Houses- 817,000 and up to 990,000. there are more black home-owners in the city of Detroit, than any city in the nation.

Religion all sects, there is over 5000 churches in the city of Detroit.

Macomb county	390,185	\$17,500 to \$45,500
Oakland county	469,250	\$17,500 to \$45,500
Wayne county	2850,000	\$15,500 up
Detroit	1450,000	\$12,000 up

1-3-6

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Market Analysis (con. cont.)

BUSINESS-COMMERCE-ECONOMICS-INDUSTRY

Construction Co.	12
Automobile Manuf.	57
Other Manuf.	16
Wholesale and Retail	58
Finance, Insurance and Real Estate	20
Business and Prof. Service	149
Effective disposable income approx.	91

U.S. Census source of data.

COMPETITION

There is little or no competition in the immediate area not with-in 10 miles radius, Telegraph Rd. west, 10 mile Rd. north, Woodward Ave. east, downtown Detroit south, there is no bar, no restaurant, that offer the amount of parking or the functional facilities or luxurious interior that Chappy's Athletic Club Inc. offer to the community. Competition has always been here and will always be here, its health for business, creation of new ideas creat an advantage over competitors

PROMOTIONAL STRATEGY FOR MARKET PENETRATION

Mailing to over 300 previous customers who purchased automobiles from me. Advertising in the Michigan Chronicle, Detroit News, Free Press, Legal News, Detroit Monitor, Tri-County news papers, Radio stations, T.V.. Press releases will be assured announcing the grand opening with searchlights and pass-outs. Larco's Inn has been in business for 25 yrs. The announcement of new ownership and new benefits for the market place, Breakfast, Lunch, Dinner, with entertainment, valet parking offers security for cars and the well being to the customers, Banquet, and meeting room facilities, also Dancing, and Take-out service.

A BRIEF REVIEW OF THE INDUSTRY

Restaurants and dining rooms, along list of many kinds of varieties of restaurants in Detroit, formal dining rooms, lunch rooms, cafeterias, automat, coffee shop, night clubs, barrooms, cocktail lounges, chop suey restaurants, hotel dining rooms, whether any one of these organizations is part of a hotel or is independently operated, its form of operation and organization is basically the same, there are two distinct departments in both large and small restaurants food preparations and food service, and this has been since the innkeeper days. 2-3-7-

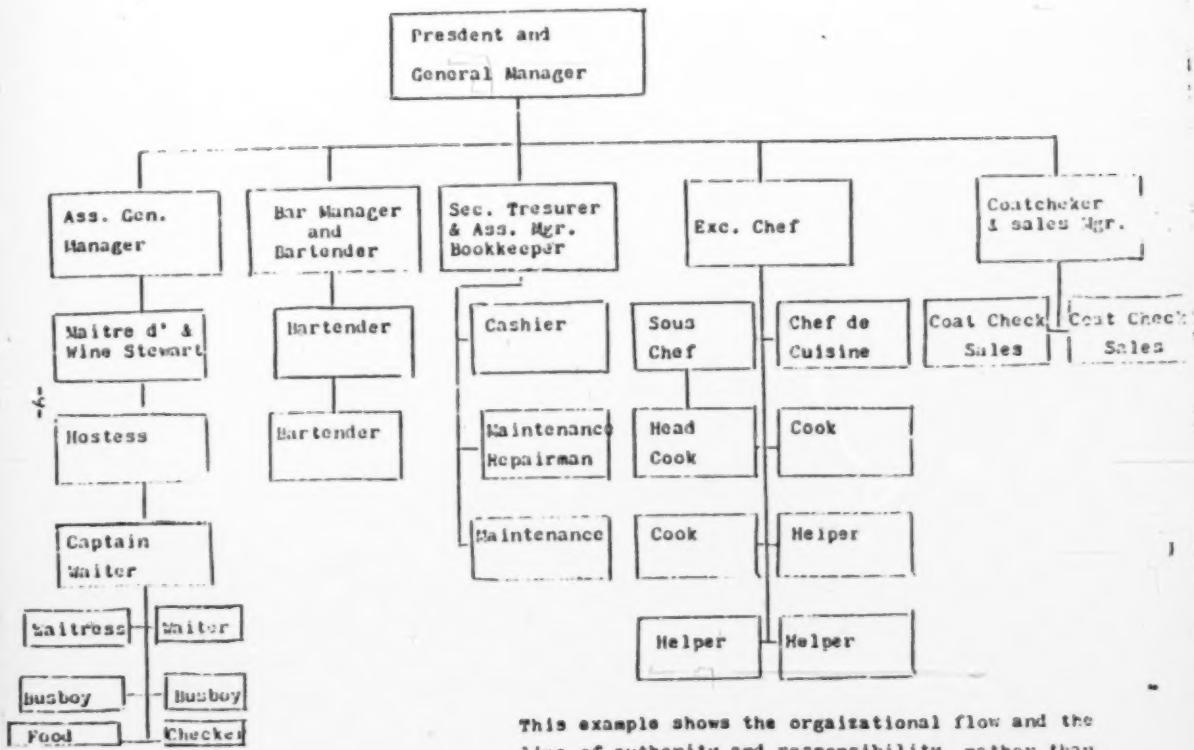
Market Analysis (cont'd)

MARKET POTENTIAL OF INTENDED CHANGE IN THE NATURE OF THE BUSINESS
CHAPPY'S ATHLETIC CLUB INC. with its creative ideas will create an advantage over competitors, the full usage of the facilities and time, is a profit advantage, banquets, meeting room, entertainment of all kinds, including churchs, sunday entertainment, young people entertainment, formal dinners, dancing, open 24 hours the only restaurant in Detroit that has entertainment for breakfast a complet show at 7:00 am, bingo for senior citizens also a senior citizen show, young people shows which is the future market, and future entertainers, also children's shows from 5 to 12 yrs. old and 13 to 17 yrs. old. It has been said that there are 4 months which are below avarage months, the 2nd and 3rd week in January, the 4th week there is increase, february and march are good months, april is a low month. I was told it is because of federal taxes are due, this must be true in the white market, because restaurant owners have centered their business around big business and executives, middle class whites, and because of discrimination black people didn't go to white people super clubs, because they didn't feel wanted, so they went to their night clubs, house parties, and neighborhood restaurants, therefore tax time, vacation time, school time did not effect my black market place, but culturally christmas and easter will effect my market, as a former member of the Detroit Chapter of the National Association Of Market Developers and being a promoter with new ideas i will eliminate the slow period in my business with the facilities turning-over creating a increase in volume of sales.

3-3-d

55

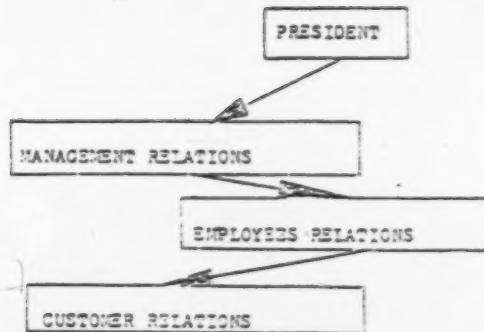
ORGANIZATION CHART



This example shows the organizational flow and the line of authority and responsibility, rather than exact number of personnel. In every business several people are needed for the various jobs indicated and the number will vary with changes in volume of business.

THIS IS A BUSINESS OF PEOPLE

FOR THE PEOPLE



A planned program for the development of people in the organization, all departments can be made into smooth working teams which accomplish the overall objectives of the business. To assist in establishing an organized method by which I can develop strong, well-qualified people in the business, whose sharply defined line of authority and responsibility will be the ability of management to coordinate and control the human effort in the group activity. By using individual evaluation, management will be in a position to determine areas of needed development, in every organization, people usually fall in one or two general categories, those who are well trained and fully qualified to discharge assignment with minimum supervision, or those who are not qualified and need constant supervision in carrying out assignments, the people who can be put in the last group are there usually because of a lack of desire.

1-6-10

JOB DESCRIPTIONS (continued)

training, motivation through carefully consideration of motivation factors- such as added compensation, training, etc. a person can be continually stimulated, both on the-job training and formal training must be a continuing part of my operation.

PRESIDENT AND GENERAL MANAGER

JOB OBJECTIVES:

1. Maintain satisfactory sales volume, 2. Develop satisfactory net earning and return on investment, 3. Maintain satisfactory distribution of capital according to plan, 4. Motivate department managers to satisfactorily obtain desired objectives, 5. Stimulate entire organization to activity needed to assure sales and profit objectives through compensation, personal contact, security programs, employees benefits.

JOB FUNCTIONS:

1. Assume responsibility for all programs, projects and operations, planning and forecasting, organization and maintenance of all activities and establishment of standards to accomplish objectives, customer and employees public relations, selection of personnel used, compensation, training supervision and welfare, organize, supervise and coordinate all program, projects and operation, establish in writing standards necessary to accomplish objectives, check daily controls each day to determine previous days accomplishments, approve advertising media and copy as established by department managers, check effectiveness of advertising and sales promotion media used, check accounts receivable each week, issue order for collection, approve all expenditures for the purchase or repairs of equipment, building or fixtures, as well as improvements, hold regular forecasting meeting with department managers, plan and use contests and other promotion plans, banking, booking of live entertainment.

ASS. GENERAL MANAGER

1. Assume responsibilities of all programs, projects, operations, and goals, supervises all staff employees, buyer of all stock, check and balance all cash receipts, check daily controls each day, maintain all records, showing trend on the operations, expense and capital disbursement, frequently check to determine performance of all jobs in organization, check records of daily activities, analyze results, correct faults, plan and conduct regular training programs, job objectives is the same as the general manager's, conduct meetings, hiring and dischargings, pay employees, handle all complaints, work closely with chef to set-up menu also with our manager, check all invoices, establish emergency plans, maintain records, retail prices, buying guides, wholesaler phone numbers etc.

2-6-11

JOB DESCRIPTIONS (continued)

MAITRE D' ALSO WINE STWARD

1. Assume responsibilities of supervising all service of food and drinks, waiters and waitress working hours, working areas and changes, stock and materials needs, employee relationship with customers, screening of customers for dinner, bar or dinner and show, security person, maintain management employee relationship, absenter corrections, advise Ass. Gen. Mgr. of any problem, because of line of authority, management relationship must be maintained, reservations acceptances, employs and discharge dining room, assigns section to waiter captains, with instruction to rotate, waiters and waitress so that each has the same number of guests.

HOSTESS

1. Assume responsibilities of the maitre d' with the line of authority, filling in for absent employees, screening and guiding of customers, accept reservations, answer telephone, assist maitre d' in operations, also supervising dining room employees organizes, instructs, and direct a staff of waiter captains, waiters, waitress, busboy, when customers enter the restaurant, they are escorted to a table also by the hostess, who consults their wishes, hands menus to them, and ascertains that she has waited upon them satisfactorily assign section to waiter captains, with instruction to rotate, waiters and waitress, so that each has the same number of guests.

CAPTAIN WAITERS

1. Assume responsibilities of supervising a staff of waiters and waitress, busboys, has charge of one section of dining room and so as to utilize tables space to best advantage or to give the appearance of a well filled establishment, inspect dining room and employees, observes appearance of employees, paying particular attention to their dress and cleanliness, assign station to waiters and waitress and rotate, so that each has the same number of guests. The captain waiters receive his instructions from maitre d' and hostess, he organizes, instructs and directs a staff and see that his instructions are carried out to the letter.

WAITERS AND WAITRESS, BUSBOYS, BUSGIRLS

1. Assume responsibilities of satisfying customers wishes, notes the order of each customer on an order pad and procures them from the kitchen and stops at the food-checker, the waiter and waitress pays attention to the wants of the customer through-out the meal, removing used plates and carrying in new courses when the customers are ready, at the end of the meal, he or she presents the bill receives payment of same, some time customers themselves pay the cashier.

3-6-12

JOB DESCRIPTIONS (cont. and)

BUSBOYS AND BUSGIRLS

1. Assume responsibilities of supplying each customer with water and butter rolls, assists one or more waiter or waitress by taking away dirty dishes to the kitchen, replacing soiled table linen, bringing clean silverware to dining room, sweep and other tasks such as washing dishes, polishing silverware and receive instructions as how to become a waiter or waitress.

FOOD CHECKER

DEPARTMENT OF FOOD PREPARATION

1. Assume responsibilities of daily control each day to determine previous days accomplishments, the record serves as a check upon the total receipts and the daily demand for each items, check the quality and quantity, also making sure portions being served conform with predetermined standard set by management, compiles, tabulates, and prepares a complete audit of portions of food served at end of each meal period removes roll of paper upon which all charges are recorded, prepares and submits report to cashier to enable a balance to be made against that days receipts, food checker are directly under a manager, as a waiter and waitress carries his tray out of the kitchen they stop at the desk of the checker, who marks the price of each item on the check, and may inspect the plates to see if the food looks appetizing.

BARTENDER MANAGER

1. Assume responsibilities of supervises, instructs, and assists bartender in mixing and serving dmnks and in keeping the bar in a neat, orderly condition maintains an adequate supply of liquors by taking inventory and requisitioning additional supply as need, mix alcoholic and non alcoholic drinks, either serve them at the bar or hand them to a waiter or waitress who pays for the drinks and add cost to customer food bill.

BOOKKEEPER

1. Assume responsibilities of keeping accounts, check vendors statement, reconcile and adjust each account payable, assist manager in various analyses, make vendor's checks, make payroll, red flag all unpaid account receivable, mail duplicate statements on all unpaid accounts, work closely with managers on daily controls sheets, make checks to vendors payable before the 10th of the month.

CASHIER

1. Assume responsibilities of all monies incoming from food served in dining room from waiters and waitress, departing customers, receive payment or accept charge if customer's name is in approved charge file, check all credit cards, balance funds daily, receive all internal billings, check for accuracy and authority, summarize and turn in to bookkeeper daily, operate charge machine.

4-1-1]

JOB DESCRIPTIONS (continued)

MAINTENANCE MAN AND REPAIRMAN

DEPARTMENT OF FOOD PREPARATION

1. Assumes responsibilities of repairs to the plumbing fixtures, furniture, wood work, electrical system and appliances, performs other similar duties usually requiring experience as an all-around carpenter, painter, plumber and electrician, heating equipment, janitor.

EXECUTIVE CHEF

1. Assume responsibilities of food preparation plans meals supervises and coordinates the work of chefs, cooks and other kitchen employees, seeing that food preparation is economical and technically correct, requisitions food supplies, responsible for profitable operation of the food preparation department, make up menus, assigns prices to article on menus for banquets and other special occasions, arrange for printing of menus, distributes a copy to each chef and cooks, instruct cooks and chefs in the fine points of cooking, purchase supplies and equipment, employs and discharges workers, keeps pay-roll records, pay employees, salary adjustments, assumes complete charge of the kitchen and storeroom, and pantry, keep cost account, and assign such price to food items as will result in a net profit for the back of the house, executive chef usually has two executive assistants, a sous chef and a chef de cuisine.

SOUS CHEF

1. Assume responsibilities of an assists executive chef in supervise the preparation and cooking of food by cooks and other kitchen employees, seeing that food is cooked as and when ordered, requisitions food needed by cooks, inspects portioning and garnishing of food, assist in the cooking of food for banquets and other special occasions, takes charge of kitchen in absence of executive chef, under the sous chef is the chef de cuisine and head cook and cooks and cooks helpers, vegetable preparers, etc. gives instructions and criticisms as necessary, station himself in front of cooking ranges during meals, checking size of portions and calling out orders, given to him by waiters and waitress to cooks at ranges, inspect following days menu, writes requisitions for food stuff needed from storeroom, employ, train, and discharge minor kitchen employees such as preparers, dishwasher, garbage man, etc., have first hand knowledge of every cooking job in the kitchen, cooks specializing in one type of cooking, such as sauce cook mixes and prepares sauces and dressings and cooks some of the more difficult dishes, including game, poultry and braised or sautied meats and fish, prepares foodstuff for noon and evening meals.

5-6-14

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JOB DESCRIPTIONS (cont'd. 4)

TRAINING, KITCHEN, BY APPRENTICES ONLY ON 1

Each cook will be in charge of one or more assistants or apprentices, who cut-up or grind meats, also transfer cooked food from the range to the steam table, and may dish portions for the waiters and waitresses to take to dining room, apprentices receive instruction in cooking as part payment for their services.

TRAINING, WAITERS, WAITRESS:

Busboys and busgirls as apprentices also water girls, pantrymen or pantry-girls.

6-6-15

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CHAPPY'S
FINANCIAL FORECAST 25 %
INCOME INCREASE OVER EXISTING BUSINESS
WITH THE INITIATIVE OF BREAKFAST AND
ENTERTAINMENT

1979 INCREASES

%	YEAR	MONTH	WEEK	DAY	
.24% - BREAKFAST	184129	15344	3836	548	By selling breakfast @ \$4.39 x 125 people per
LUNCH	240500	20041	5010	715	Existing from present operation
DINNER	504017	42001	10500	1500	" " "
.12% DINNER	86725	7227	1806	258	By selling dinner @ \$12.50 x 20 people per day
LIQUOR	200917	16743	4185	597	Existing from present operation
.15% LIQUOR	30229	2519	629	89	By selling 2 cases of 24 bottle @ \$25.00 per day
.14% BEER	29400	2450	612	87	By selling 1 bottle @ \$1.75 x 50 people per day
.12% WINE	25400	2100	525	75	By selling 1 glass @ \$1.50 x 50 people per day
.09% POP	19200	1600	400	57	By selling 1 glass @ \$1.00 x 57 people per day
TICKETS(local)	210000	17500	4375	625	By selling mon.-thur. @ \$8.75 x 72 people 1
TICKETS(star)	315000	26500	6562	937	By selling fri.-sun. @ \$17.50 x 54 people 1 show
TOTAL GROSS	1845319	54025	38440	5488	
COST OF SALES INCREASE					
.24% FOOD PURCHASES	69041	5753	1438	205	
	276405	23033	5758	823	Existing cost of present operation
.25% BAR PURCHASES	15189	1266	316	45	
	60746	5063	1266	181	Existing cost of present operation
.25% SUPPLIES	2999	250	62	9	
	11980	999	250	36	Existing cost of present operation
KITCHEN WAGES	211631	17636	4409	630	Existing cost of present operation
ENTERTAINERS	240000	20000	5000	714	
TOTAL COST	988011	74001	18500	2643	
.24% TOTAL INCREASE	87229				

EXISTING COST OF PRESENT OPERATION \$340150
 KITCHEN WAGES OF PRESENT OPERATION \$211631
 ENTERTAINERS AND TICKET COST \$240000
 INCREASE COST FOR BREAKFAST 87229

FINANCIAL FORECAST (continued)

RAOUI de MARCIA consultant to the food and beverage industry, expect the sales volume over the existing operation can be increase around 25% with the initiative of entertainment and breakfast.

CHAPPY'S
FINANCIAL FORECAST 10%
INCOME INCREASE OVER 1979 PROJECTION
WITH THE INITIATIVE OF BREAKFAST AND
ENTERTAINMENT

1980 INCREASES

%

10% INCREASE OVER 1979 OF \$184531

BREAKFAST	36870	3073	768	109	By selling breakfast @ \$4.39 x 25 people per day
LUNCH	52416	4368	1092	156	By selling lunch @ \$6.00 x 26 people per day
DINNER	42000	3500	875	125	By selling dinner @ \$12.50 x 10 people per day
ENTERTAINMENT	52920	4410	1102	157	By selling mon.-thru. @ \$8.75 x 18 people per day
GOODWILL	325	27	6	1	Free ticket for 3 people per month-36 per year
Total Gross	184531	15378	3843	548	
COST OF SALES INCREASE					
.07% FOOD PURCHASES	28361	2363	591	84	Bar purchases included
.07% UTILITIES	28361	2363	591	64	Supplies purchases included
TOTAL COST	56722				Because of the 1980 GOP convention

FINANCIAL FORECAST (continued)

CHAPPY'S
FINANCIAL FORECAST 15 %
INCOME INCREASE OVER EXISTING BUSINESS
WITH THE INITIATIVE OF BREAKFAST AND
ENTERTAINMENT

1981 INCREASE

%	YEAR	MONTH	WEEK	DAY
.15% INCREASE OVER 1980 OF \$361200				
LUNCH	151200	12600	3150	450 By selling lunch @ \$6.00 x 75 people per day
DINNER	210000	17500	4375	625 By selling dinner @ \$12.50 x 50 people per day
TOTAL GROSS	361200	30100	7525	1075
COST OF SALES INCREASE				
.14% FOOD PURCHASES	34188	2849	712	102
" BAR PURCHASES	34188	2849	712	102
" SUPPLIES "	34188	2849	712	102
.14% UTILITIES	34188	2849	712	102
TOTAL COST	136753	11396	2849	408 "
PROJECTED GROSS SALES				
1979-----	1845319			
1980-----	2029850			
1981-----	2391050			

The above figures include food and beverage and ticket sales for show and dance. Additional income from (2) banquet rooms for wedding, private parties, parking lot, (2) hat check areas with display cases for saleable items, and meeting room, class "c" license with take-out of beer and wine 16% and less, which would mean a increase of approximately 100000.

CHAPPY'S
1979 PROFIT AND LOSS INCOME PROJECTIONS

Total Sales	115332	173498	164246	115332	173498	192220	142313	134054	115332	173498	164176	181820	164519
Cost of Goods	73810	75500	65700	65600	75900	79500	65400	65600	65400	75800	80900	98900	888011
Gross Profit	41522	97948	98546	49732	97598	112720	76913	68454	49932	97698	83276	82920	957308
Operating Expense													
Officer Sala.	10200	x 4											122400
Bar-tender	1548	x 2											18576
Waiters	1523	x 4											1821
Waitress	2559	x 10											307
Maintenance	1042	x 1											1251
Busboy-Girl	742	x 2											6904
Advertising	1000												12000
Ins.Blue Cross	670												8042
Legal,Account	125												1500
Linen	1000												12000
Maint-Repair	1178												14136
Other Taxes	715												2660
Payroll Taxes	2219												20000
Telephone	125												1500
Employee Benefit	700												2470
Utilities	3300												39600
Licenses	92												1100
Ins.Bdg.Conts.	2709												32512
Depreciation	0												0
Total Oper.Exp.	31447												37731
Other Expense													
JCF	5605												67260
Landcontract	5000												60000
SEA	1375												16500
Total Other Ex.	11930												163760
Total All Exp.	43427												521124
Net Profit	(1905)	54521	55119	6305	54171	69293	33486	25027	6505	54271	39849	39493	438040

CHAPPY'S

1979

CASH FLOW

Total Recpts.	115332	173498	164246	115332	173498	192220	142313	134054	115332	173498	164176	181820	1845319	
Cash Disbursements														
Cost of Goods	73810	75500	65700	65600	75900	79500	65400	65600	65400	75800	80900	98900	888011	
Officer Sala.	10200	x 4												122400
Bar-tender	1548	x 2												18576
Waiters	1523	x 4												18278
Waitress	2559	x 10												30715
Maintenance	1042	x 1												12510
Busboy-Girl	742	x 2												1200
Advertising	1000													8044
Ins.Blue Cross	670													1500
legal, Account	125													12000
Linen	1000													14136
Maint-Repair	1178													8550
Other Taxes	715													26623
Payroll Taxes	2219													1500
Telephone	125													2100
Employee Benefit	700													36620
Utilities	3300													1104
Licenses	97													32503
Ins.Bldg.Conts.	2700													67260
ICF	5605													60000
Landcontract	5000													16500
SMA	1375													
Total Disbust.	117237	116927	109127	109027	119327	122927	108827	109027	108827	119227	124327	142327	14091	
Net Cash Flow	(1905)	54521	55119	6305	54171	69293	33486	25027	6505	54271	39849	39493	4320	
Cumulative Fl	(1905)	52616	107735	114040	168211	237504	270990	296017	302522	356793	396642	436040		
Cash Loan Pr.	100000													
Cash	1500													
Opening Bala.	101500	99595	154116	209235	215540	269711	339004	372490	397517	404022	458293	498142		
Cash Receipts	115332	173498	164246	115332	173498	192220	142313	134054	115332	173498	164176	181820		
Cash Disbust.	117237	116927	109127	109027	119327	122927	108827	109027	108827	119227	124327	142327		
Total New Bal.	99595	154116	209235	215540	269711	339004	372490	397517	404022	458293	498142	537635		

CHAPPY'S

1979 PROFIT AND LOSS INCOME PROJECTIONS

QUARTERS

4th.

Total YR.

Total sales	453076	481050	391699	519494	1845319
Cost of Goods Sold	215010	221000	196400	255600	888011
Gross Profit	238066	260050	195299	263894	957308
Operating Expense					
Officer Salaries					
Bartender					
Waiters					
Waitress					
Maintenance					
Busboy-Girl					
Advertising					
Ins, Blue Cross					
legal, Account					
Linen					
Maintenance, Repairman					
Other Taxes					
Payroll Taxes					
Telephone					
Employees Benefit					
Utilities					
Licenses					
Ins, Bldg. Conts.					
Depreciation					
Total Oper. Exp.	94341	94341	94341	94341	377364
Other Expense					
ICF					
Landcontract					
SIA					
Total Other Exp.	35940	35940	35940	35940	143760
Total All Exp.	130281	130281	130281	130281	521124
Net Profit	107785	129769	65018	133613	438040

CHAPPY'S

1980 PROFIT AND LOSS INCOME PROJECTIONS

Total Sales	126865	190848	180671	126865	190848	211442	156544	147459	126865	190848	180593	200002	2029850
Cost of Goods	81191	83050	72270	72160	83490	87401	71940	72160	71940	83380	88990	109790	976817
Gross profit	45674	107798	108401	54705	107358	124041	84604	75299	54925	107468	91603	91212	105303
Operating Expense													
Officer Sala.	10200	x 4											122400
Bar-tender	1548	x 2											376
Waiters	1523	x 4											1 79
Waitress	2559	x 10											30114
Maintenance	1042	x 1											12514
Busboy-Girl	742	x 2											690
Advertising	1000												1200
Ins. Blue Cross	670												8042
Legal, Account	125												150
Linen	1000												1200
Maint-Repair	1178												850
Other Taxes	715												26623
Payroll Taxes	2219												1500
Telephone	125												8400
Employee Benefit	700												3960
Utilities	3300												110
Licenses	92												512
Ins.Bldg, Conts.	2709												37
Depreciation	6												
Total Oper. Exp.	31447												
Other Expense													
ICF	5605												6726
Landcontract	5000												6900
SBA	1375												1650
Total Other Ex.	11980												14376
Total All Exp.	43427												521121
Net Profit	2247	64371	64974	11278	63931	80614	41177	31872	11498	64041	48176	47785	551914

CHAPPY

1980 PROFIT AND LOSS PROJECTIONS

QUARTERS

	1st.	2nd.	3rd.	4th.	Total YR.
Total Sales	498384	529155	430868	571443	2029850
Cost of Goods Sold	236511	243001	216040	281160	976812
Gross Profit	261873	286154	214828	290283	1053038
Operating Expense					
Officer Salaries					
Bartender					
Waiters					
Waitress					
Maintenance					
Busboy-Girl					
Advertising					
Ins. Blue Cross					
Legal, Account					
Linen					
Maintenance, Repairman					
Other Taxes					
Payroll Taxes					
Telephone					
Employees Benefit					
Utilities					
Licenses					
Ins.Bldg. Conts					
Depreciation					
Total Oper.Exp.	94341	94341	94341	94341	377364
Other Expense					
ICF					
Landcontract					
SEA					
Total Other Exp.	35940	35940	35940	35940	143760
Total All Exp.	130281	130281	130281	130281	521124
Net Profit	131592	155873	84547	160002	531914

CHAPPY'S
1980 CASH FLOW

Total Recpts.	126865	190848	180671	126865	190848	211442	156544	147459	126865	190848	180593	200002	2029350
Cash Disbursements													
Cost of Goods	81191	83050	72270	72160	83490	87401	71940	72160	71940	83380	88990	108790	97681
Officer Sala.	10200	x 4											12240
Bar-tender	1548	x 2											1857
Waiters	1523	x 4											1827
Waitress	2559	x 10											715
Maintenance	1042	x 1											410
Busboy-Girl	742	x 2											42
Advertising	1000												1200
Ins.Blue Cross	670												804
Legal, Account	125												1500
Linen	1000												1200
Maint-Repair	1178												14136
Other Taxes	715												6580
Payroll Taxes	2219												2662
Telephone	125												125
Employee Benefit	700												8400
Utilities	3300												3260
Licenses	92												110
Ins.Bldg.Conts.	2709												3250
ICP	5605												6726
Landcontract	5000												6700
SBA	1375												500
Total Disbust.	124618	126477	115697	115587	126917	130828	115367	115587	115367	126807	132417	152217	149 30
Net Cash Flow	2247	64371	64974	11278	63931	80614	41177	31872	11498	64041	48176	47785	531914
Cumulative Flow	2247	66618	131592	142870	206801	287415	328592	360464	371962	436003	484179	531914	
Cash on hand													
Cash													
Opening Bala.	537635	539882	604253	669227	680505	744436	825050	866227	898099	909597	973638	1,021814	
Cash Receipts.	126865	190848	180671	126865	190848	211442	156544	147459	126865	190848	180593	200002	
Cash Disbust.	124618	126477	115697	115587	126917	130828	115367	115587	115367	126807	132417	152217	
Total New Bal.	539882	604253	669227	680505	744436	825050	866227	898099	909597	973637	1,021814	1,069599	

CHAPPY'S

1981 PROFIT AND LOSS INCOME PROJECTIONS

Total Sales	156965	220948	210771	156965	220948	241542	186644	177559	156965	220948	210693	230102	239105
Cost of Goods	85261	87120	76340	76230	87560	91471	76010	76230	76010	87450	93060	112860	102560
Gross Profit	71704	133828	134431	80735	133388	150071	110634	101329	80955	133498	117633	117242	136544
Operating Expense													
Officers Saln.	10200	x 4											
Bar-tender	1548	x 2											12240
Waiters	1523	x 4											1857
Waitress	2559	x 10											227
Maintenance	1042	x 1											51
Busboy-Girl	742	x 2											1
Advertising	1000												204
Ins.Blue Cross	670												1200
Legal, Account	125												60
Linen	1000												150
Maint- Repair	1178												1200
Other Taxes	715												1410
Payroll Taxes	2219												840
Telephone	125												150
Employee Benefit	700												540
Utilities	3300												3900
Licenses	92												110
Ins.Bldg.Conts.	2709												3551
Deprecition	0												0
Total Oper.Exp.	31447												3
Other Expense													664
ICF	5605												6745
Landcontract	5000												6000
SBA	1375												1600
Total Other Ex.	11930												16376
Total All Exp.	43427												52110
Net Profit	26277	90401	91004	37308	89961	106644	68207	57902	37528	90071	74206	73815	34320

CHAPPY'S PROFIT AND LOSS PROJECTIONS					
	1981	QUARTERS			
	1st.	2nd.	3rd.	4th.	Total YR.
Total Sales	588684	619455	521168	661743	2391050
Cost of Goods Sold	248721	255261	228250	293370	1025602
Gross Profit	339963	364194	292918	368373	1365448
Operating Expense					
Officer Salaries					
Bartender					
Waiters					
Waitress					
Maintenance					
Busboy-Girl					
Advertising					
Ins. Blw. Cross					
Legal, Account					
Linen					
Maintenance, Repairman					
Other Taxes					
Payroll Taxes					
Telephone					
Employees Benefit					
Utilities					
Licenses					
Ins. Bldg. Conts.					
Depreciation					
Total Oper. Exp	94341	94341	94341	94341	377364
Other Expense					
ICF					
Landcontract					
SEA					
Total Other Exp.	35940	35940	35940	35940	143760
Total All Exp.	130281	130281	130281	130281	521124
Net Profit	209682	233913	162637	236092	844324

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CHAPPY'S

1981

CASH FLOW

Total Rects. 156965 220948 210771 156965 220948 241542 186644 177559 156965 220948 210693 230102 2391050

Cash Disbursements

Cost of Goods	85261	87120	76340	76230	87560	91471	76010	76230	76010	87450	93060	112960	1025602
Officer Sala.	10200	x 4											122400
Bar-tender	1548	x 2											18576
Waiters	1523	x 4											18278
Waitress	2559	x 10											30715
Maintenance	1042	x 1											12510
Busboy-Gril	742	x 2											872
Advertising	1000												11
Ins.Blue Cross	670												5940
legal, Account	125												1500
linen	1000												12000
Maint-Repair	1178												14136
Other Taxes	715												8580
Payroll Taxes	2219												26528
Telephone	125												1500
Employee Benef.	700												600
Utilities	3300												33600
Licenses	92												1104
Ins.Bldg.Conts.	2709												32503
ICF	5605												67260
Landcontract	5000												60000
SBA	1375												16000
Total Disbur	128688	130547	119767	119657	130987	134898	119437	119657	119437	130877	136487	156287	1548736
Net Cash Flow	28277	90401	91004	37308	89961	106644	67207	57902	37528	90071	74206	73815	61111
Cumulat. Flow	28277	118678	209682	246990	336951	443595	510802	568704	606232	646303	770509	844524	
Cash on Hand													
Cash													
Opening Bal	1069599	1097876	1188277	1279281	1316589	1406550	1513194	1580401	1638303	1675831	1701902	1776	
Cash Receipts.	156965	220948	210771	156965	220948	241542	186644	177559	156965	156948	210693	230	
Cash Disbust.	128688	130547	119767	119657	130987	134898	119437	119657	119437	130877	136487	156	
Tot. New Ba.	1097876	1188277	1279281	1316589	1406550	1513194	1580401	1638303	1675831	1701902	1776108	15499	

CHAPPIE 3

1981

BALANCE SHEET

ASSETS

CURRENT ASSETS	
Cash -Bank	250000
Cash -saving	3000
Account Receivable - House	2000
Account Receivable - American Express	2500
Account Receivable - Diners Club	1500
Account Receivable - Bank Americard	1000
Account Receivable - Master Charge	3000
Inventory	35000
Prepaid Insurance and Blue Cross	40540
Prepaid Interest	53760
Prepaid Taxes	7908
Prepaid Payroll	26628
TOTAL CURRENT ASSETS	426636
FIX ASSETS	
Building and Land	585563
Building Improvement and Land	360718
Equipment	143371
Furniture and Fixtures	112763
Accumulated Depreciation	46947
Land	1249362
TOTAL FIXED ASSETS	
OTHER ASSETS	50000
Goodwill	
Cash Surrender Value Lift Ins.	250
Deposits	50000
Investment	100250
TOTAL OTHER ASSETS	1776448
TOTAL ASSETS	

1-6-28

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CHAPY '8
1981
Balance Sheet
LIABILITIES

CURRENT LIABILITIES

Account Payable	65510
Sales Tax Payable	91512
Federal Income Tax Withheld	219302
FICA	24026
State Income Withheld	20278
City Income Tax Withheld	10132
Payroll Taxes Payable	26626
Accrued Wesc.	
Accrued FUT	
Note Payable - Current Income Tax Payable	
TOTAL CURRENT LIABILITIES	457389

LONG TERM DEBT

Notes Payable -Officers	296197
Notes Payable ICF	62719
Notes Payable LC	94285
Notes Payable SBA	
Notes Payable	
TOTAL LONG TERM DEBT	452801

TOTAL LIABILITIES

STOCKHOLDERS EQUITY	
Capital Stock	25000
Paid in Capital Surplus	25000
Retained Earnings	50000
Treasury Stock	50000
Net Income to Date	
Current Period Dividends	
TOTAL	150000
TOTAL STOCKHOLDERS EQUITY	1060190
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	716258
NET WORTH EQUITY	1776448
TOTAL LIABILITIES AND NET WORTH	

2-0-24

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BALANCE SHEET

ASSETS

CURRENT ASSETS	
Cash	
Bank	200000
Cash Saving	16000
Account Receivable- House	1000
Account Receivable- American Express	1500
Account Receivable- Diners Club	1000
Account Receivable- Bank Americard	1000
Account Receivable- Master Charge	800
Inventory	1300
Prepaid Insurance and Blue Cross	35000
Prepaid Interest	40540
Prepaid Taxes	53760
Prepaid Payroll	7908
	26628
	TOTAL CURRENT ASSETS
	370936
FIX ASSETS	
Building and Land	
Building Improvements and Land	585563
Equipment	260715
Furniture and Fixtures	143371
Accumulated Depreciation	112753
Land	
	46947
	TOTAL FIXED ASSETS
OTHER ASSETS	
Goodwill	
Cash Surrend Value Life Ins	50000
Deposit	
Investment	250
	1249362
	TOTAL OTHER ASSETS
	50250
	TOTAL ASSETS
	1670548

3-6-80

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CHAPP '86	
1986	
Balance Sheet	
LIABILITIES	
CURRENT LIABILITIES	
Account Payable	65503
Sales Tax Payable	91513
Federal Income Tax Withheld	219701
FICA	24038
State Income Withheld	20278
City Income Tax Withheld	10132
Payroll Taxes Payable	26615
Accrued Wesc.	
Accrued FUT	
Note Payable - Current Income Tax Payable	
TOTAL CURRENT LIABILITIES	457389
LONG TERM DEBT	
Notes Payable -Officers	
Notes Payable ICF	296197
Notes Payable LC	62319
Notes Payable SBA	94285
Notes Payable	
TOTAL LONG TERM DEBT	452801
TOTAL LIABILITIES	910190
STOCKHOLDERS EQUITY	
Capital Stock	25000
Paid in Capital Surplus	25000
Retained Earnings	50000
Treasure Stock	50000
Net Income to Date	
Current Period Dividends	
TOTAL	150000
TOTAL STOCKHOLDERS EQUITY	
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	1060190
NET WORTH EQUITY	716258
TOTAL LIABILITIES AND NET WORTH	1776448

2-0-29

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CHAPP 'S

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BALANCE SHEET

ASSETS

CURRENT ASSETS

Cash Bank	200000
Cash Saving	15000
Account Receivable- House	1000
Account Receivable- American Express	1500
Account Receivable- Diners Club	1000
Account Receivable- Bank Americard	800
Account Receivable- Master Charge	1000
Inventory	35000
Prepaid Insurance and Blue Cross	40540
Prepaid Interest	53750
Prepaid Taxes	7908
Prepaid Payroll	26628

TOTAL CURRENT ASSETS

370936

FIX ASSETS

Building and Land	585567
Building Improvements and Land	260715
Equipment	143371
Furniture and Fixtures	112783
Accumulated Depreciation	
Land	46947

TOTAL FIXED ASSETS

1249362

OTHER ASSETS

Goodwill	50000
Cash Surrend Value Life Ins	
Deposit	250
Investment	

TOTAL OTHER ASSETS

50250

TOTAL ASSETS

1670548

3-6-80

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CHAPPY

1971

BALANCE SHEET

ASSETS

Current Assets

Cash Bank (loan)	3100000
Cash saving	1500
Account Receivable- House	1500
Account Receivable- American Express	1500
Account Receivable- Diners Club	1000
Account Receivable- Bank Americard	300
Account Receivable- Master Charge	500
Inventory	25000
Prepaid Insurance and Blue Cross (8042)	40540
Prepaid Interest	53760
Prepaid Taxes	7908
Prepaid Payroll	26628

TOTAL CURRENT ASSET

FIXED ASSETS

Building and Land	585563
Building Improvements and Land	350718
Equipment	143371
Furniture and Fixtures	112763
Accumulated Depreciation	
Land	46947

TOTAL FIXED ASSET

OTHER ASSETS

Goodwill	50000
Cash Surrender Value Life Ins	
Deposit	250
Investment	

TOTAL OTHER ASSETS

TOTAL ASSETS

50250

1569248

With-cut Audit
 Owner's Equity is not Cash.
 Owner's Equity is for creating the business opportunity voted by the
 board of directors.

Sources of data
 Lorio's Inn, Inc.
 Balance Sheet and Profit and loss Statement

5-6-32

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	CHAPP 3 1981 BALANCE SHEET LIABILITIES
CURRENT LIABILITIES	
Account Payable	\$2400
Sales Tax Payable	81194
Federal Income Tax Withheld	213202
FICA	24025
State Income Tax Withheld	20275
City Income Tax Withheld	10132
Payroll Tax Payable	26628
Accrued Hesc.	
Accrued FUT	
Note Payable -Current	
Income Taxes Payable	
TOTAL CURRENT LIABILITIES	435970
LONG TERM DEBT	
Notes Payable ICF	327275
Notes Payable LC	112220
Notes Payable SBA	102199
Notes Payable	
TOTAL LONG TERM DEBT	541694
TOTAL LIABILITIES	977664
STOCKHOLDERS EQUITY	
Capital Stock	25000
Paid in Capital Surplus	25000
Retained Earnings	50000
Treasure Stock	50000
Net Income to date	
Current Period dividends	
TOTAL	
TOTAL STOCKHOLDERS EQUITY	1127664
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	
Net Worth Equity	542884
TOTAL LIABILITIES AND NET WORTH	1670548

4-6-31

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CHAPPY'S
1979
BALANCE SHEET

LIABILITIES

CURRENT LIABILITIES

Accounts Payable
Sales Tax Payable
Federal Income Tax withheld
FICA
State Income Tax Withheld
City Income Tax Withheld
Payroll Tax Payable
Accrued Hesc.
Accrued FUT
Notes Payable - Current
Income Taxes Payable

40000
73812
216192
24036
20278
10132
26628

414088

TOTAL CURRENT LIABILITIES

LONG TERM DEBT

Notes Payable-Officers
Note Payable ICF
Notes Payable LC
Notes Payable SBA
Note Payable

396240
150000
109400

623640
1037728

TOTAL LONG TERM DEBT

TOTAL LIABILITIES

STOCKHOLDERS EQUITY

Capital Stock
Paid in Capital Surplus
Retained Earnings
Treasury Stock
Net Income to Date
Current Period Dividends

25000
25000
50000

1000000

TOTAL

TOTAL STOCKHOLDERS EQUITY

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY

1137728

431520

NET WORTH EQUITY

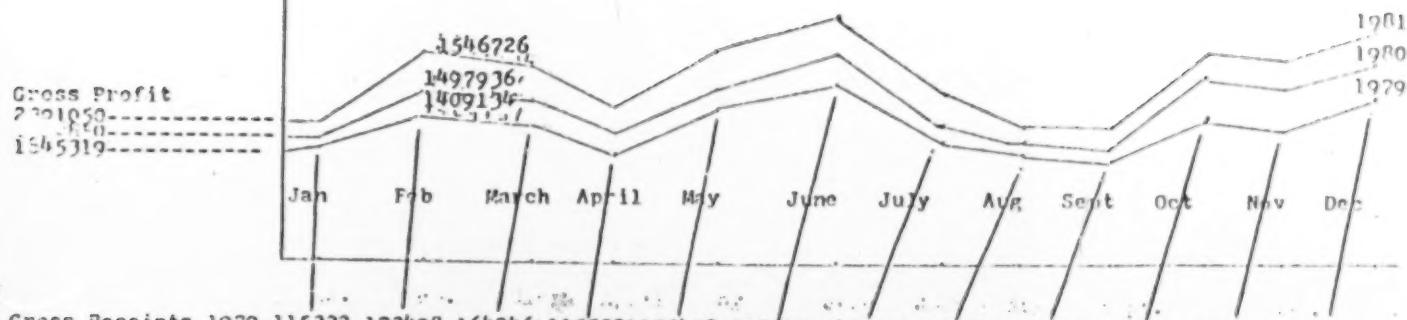
1569248

TOTAL LIABILITIES AND NET WORTH

6-6-33

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BREAK - EVEN ANALYSIS



NOTES AND EXPLANATIONS FOR INCOME PROJECTIONS

1979 1980 1981

line
 1.Sales-Cash sales from Food, Breakfast,Lunch, Dinner, Bar, Tickets sales Entertainment, the following income is not included from Banquet room, Meeting room, Weddings and private parties, Bingo, young people groups, church group, leases parking lot, hat check, take-out license on wine and beer.
 3.Cost of Good Sold- for food purchases, bar purchases, kitchen wages, supplies kitchen, and cost of entertainment.
 5.Gross Profit-line (1) minus(1)
 8.Principle Officers(h)-president,gen.mgr.-bookkeeping,office mgr.-banquet,bing mgr.-ass.gen.mgr..
 9.Bartender (2)
 10.Waiters (4)
 11.Waitress (10)
 12.Maintenance (1)
 13.Busboy,Girls(2)
 14.Advertising and Promotions-radio, tv, news paper, magazines, theater program, sports programs, etc.
 15.Ins. Blue Cross-employees benefits
 16.Legal and Accounting-LOUIS BASSO (retainer)
 17.linen-table cloths, napkins, towels, etc.
 18.Maintenance-equipment repairman
 19. Other Taxes-estimated sales taxes from bars (2)
 20.Payroll Taxes-kitchen wages
 21.telephone-contacting wholesalers for supplies, reservations, office work,etc.
 22.Union Dues-employee's union benefits
 23.Utilities-light, gas, water.
 24.Licenses-state and city.
 25.Insurance-building and contents, parking lot, customer's cars etc.
 26.Decrepreciation-none the first three years
 27.Total Operating Expense-line (8) through(26)
 28.ICF-payment on loan @ 10.75%-90% guarantee by SBA-\$400000 - 15 yrs.
 29.Landcontract-payment on balance owed to larco's INN INC. @ 9% \$200000 -4yrs.
 30.SBA-payment on old loan balance owed to SBA @ 8 1/2% 110330 -10 yrs.
 31.Total Other Expense-line(29) through (31)
 32.Total All Expense-line(8) through (33)
 33.Net profit-line(5) minus (34)

NOTES AND EXPLANATIONS FOR PRO FORMA CASH FLOW

1979 1980 1981

Line
 "A" -Total Cash Receipts -from food: Breakfast,Lunch,Dinner,Bar,Ticket sales Entertainment, the following
 income is not included from Banquet room, Meeting room, Weddings and private parties, Bingo,young
 people groups, church groups, lessors parking lot, hat check, take-out license on wine and beer.

"B" CASH DISBURSEMENT

1. Cost of Goods Sold- for food purchases, Bar purchases, Kitchen wages, supplies kitchen, and cost of entertainment.
2. Principle Officers (4) president,gen.mgr.-bookkeeping.office mgr.-banquet,bingo mgr., ass. gen. mgr.
3. Bartenders(2)
4. Waiters(4)
5. Waitress (10)
6. Maintenance(1)
7. Busboy-Girls (2)
8. Advertising and Promotions-radio, tv, news paper, magazines, theater programs, sports programs.
9. Ins. Blue Cross-Employees benefits
10. Legal and Accounting-LOUIS BASSC (retainer)
11. Linen- table cloths, napkins, towels,etc.
12. Maintenance ()-equipment repairman
 Other Taxes-estimated sales tax-bar (2)
13. Payroll Taxes-kitchen wages
14. Telephone-contact wholesalers for supplies.reservations, office work,etc.
15. Union Dues-employees union benefits
16. Utilities-lights, gas water
17. Licenses-state and city
18. Insurance-building and contents,parking lot,customers cars etc.
19. ICF-payment on loan @ 10.75% -90% guaranteed by SBA-\$400000 - 15 yrs.
20. Land contract-payment on balance owed to LARJO'S INN IN. @9% \$100000 -4yrs.
21. SBA-payment on old loan balance owed to SBA @ 8 1/2 \$110338 -15yrs.
22. Total Cash Disbursement-line (A) through (21)
23. Net Cash Flow-line (A) minus (22)
24. Cumulative Cash Flow-is net cash flow on a monthly basis,
25. Cash on Hand-loan proceeds
26. Cash-bank
27. Opening Balance-total of line(20) and(21)
28. Cash Receipts-added to line (22)
29. Cash Disbursement-minus total of lines (22) and (23)
30. Total New Balance-the opening balance for the next month.

2-2-36

CASH VALUE AND REPLACEMENT COST
BUILDING AND CONTENTS

	CASH VALUE	REPLACEMENT COST TODAY
1968- Building Size --- 232,904 cu. ft. @ \$1.59	1979-- 310.00 per cu.ft.	
222,904 cu ft	421258	222904.0
Building Improvement and Betterments	360719	656923
Machinery and Equipment (Kitchen)	143371	573480
Bar Equipment	65132	156437
Office Furniture and Fixtures	47580	114192
Land and Land Improvements	211233	325000
Depreciation	(430569)	(430569)
SOURCE OF DATA		
1968- IARCO'S INN appraisal by ROBERT A. KRAUSE AND ASSOCIATES	1249372	

1979- Replacement Cost and Actual Cash Value Building and Equipment
SOURCE OF DATA

ROBERT A. KRAUSE AND ASSOCIATES

NATHAB JOHNSON AND ASSOCIATES, INC

THE F.D. STELLA PRODUCT COMPANY

REPLACEMENT COST OF COLLATERAL

1979- ACTUAL CASH EQUITY VALUE	818792	4055072
COST FACTOR IN TODAYS MARKET IS - \$15.00 to \$25.00 @ cu.ft.		3624503

MAJOR EX HNSCC

BUDGET

CONTROLABLE OVERHEAD COSTS

	MONTH	YEAR
Telephones Lines]	125	1500
Supplies (kitchen)	1249	14988
Utilities	33000	39600
Laundry	1000	12000
Repair and Maintenance	300	3600
Transportation	200	2400
Professional Service	125	1500
Advertising and Office	1000	12000
Security	2000	24000
Employee Wages and Benefit	39158	46900
Supplies: Dining room and Bar	36364	416279
Entertainment	20000	24000
Loans (J) Payments	11980	143760

CHAPPY'S PROJECTION

	1st.yr.	%
Gross Receipts	\$1845319	100 %
Cost of Good Sold	886011	.48 %
Gross Profit	957308	.52 %
Total Expense	455926	.25 %
Net Profit befor Taxes	501382	.27 %
Total Taxes (fed'l state)	270744	.14 %
city		
Net Profit after Taxes	103387	.06 %

1-2-76

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CLOSING COMMENTARY

CHAPPY'S ATHLETIC CLUB INC: goals are to increase the profit picture 25 % with the initiative of entertainment during breakfast, lunch, dinner, tuch dancing 24 hours, featuring a wide variety of live entertainment, bands, dancers, singers, instrumentalist, comedians. New ideas in restaurant operations creates an advantage over competitors.

House specialty "Flaming Gourmet Frays" also simple food menus but exotic. Banquet room, private parties, meetings, take-out service and the sale of novelty items, jewelry, club T-shirt, etc. The gross receipts will increase with these new ideas combined with the old operation and in its market place competition is non - existant.

Creation of full community service add a new demension to this restaurant and entertainment business, because it is located in a 80 % black community.

Marketing strategy will be for those customers who wants something deferent in atmosphere and entertainment, also Chappy's strategy will be to develop the church market place, and the young people's market, which is our future market.

PRESS RELEASES

LARCO'S INN which as been in business for over 30 yeras in the city of Detroit now opens under new ownership CHAPPY'S ATHLETIC CLUB INC. press releases announcing the start of the newest ideas and most unique restaurant in the city of Detroit, open 24 hours offering 4 shows per day every 5 hours, 6 am breakfast show 7 am- 8 am, 11 am lunch show 12:30-1:30 pm, 5 pm dinner show 6:30 pm - 7:30 pm, 11:30 pm late dinner hour show 12:30 am - 1:30 am, food served after late show, sunday church entertainment, young people sunday entertainment, banquet room, bingo games for senior citerzens. The press preview will be on wednesday, grand opening for the general public thur, fri, sat, sun, starting with the press releases heavy promotional stratagy, with searchlights in front of building, detroit news, free press paper, tv news, photographers, michigan chronicle, oakland press, birmingham news, etc. T-shirt on the back CHAPPY'S INN, on the front the kid says.

TO: Fred Romanoff
FROM: Stuart H. Mahler
RE: Chappy's Athletic Club, Inc.

DATE: January 9, 1980

The writer and Joe Drobot met with Willis Chapman on December 13, 1979 to discuss his application. Essentially, we outlined the problems indicated in my memo of December 10, 1979. In the discussion with Mr. Chapman, the following additional items were discovered:

1. Mr. Chapman had obtained a loan from the SBA which was, subsequently, charged off. The loan was obtained under the name of Chappy Service and Sales which existed between 1976 and 1977. Mr. Chapman did indicate that he agreed to repay the loan after he received a loan to the above referenced company.
2. Further, it was learned that Mr. Chapman had lost his home through foreclosure and that his personal financial statement as presented on the application was not correct.
3. Mr. Chapman confirmed that he did have a police record which included an arrest for 'numbers', an arrest for carrying a concealed weapon (pistol), and finally an arrest for using profanity to a police officer (a woman).
4. Mr. Chapman indicated that he had no money to put into this new venture. He felt sure he could obtain \$25,000 from Rose Perry (his mother-in-law?) which was to be the amount to capitalize this operation.

In conclusion, Mr. Chapman offered no explanation for any of the weaknesses in this application as outlined in the attached memo. He seemed far more interested in obtaining formal declination so that he could use this declination for some purpose.

SHM/sh

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TO Fred J. Romanoff
FROM Stuart H. Mahler
RE Chappy's Athletic Club, Inc.

December 10, 1979

I have reviewed the SBA application and attendant supporting data. The following is a summary of my observations, conclusions, and recommendation.

Observations

1. Mr. Willis Chapman has an extensive employment history in the auto business, but no apparent restaurant experience.
2. In SBA form 4, "Application for Loan", Mr. Chapman has checked "yes" on question 9 asking if he or any other officers have ever been involved in a bankruptcy or insolvency proceeding. This question requires elaboration in an Exhibit K. I did not find any elaboration in my package.
3. Upon reviewing Mr. Chapman's personal financial statement, I have noted that his net worth is \$56,000, made up primarily of real estate investments. It does not appear that Mr. Chapman has either the liquidity or sufficient equity in assets to afford him any "staying power" if the restaurant projections prove too optimistic.
4. Neither Mr. Chapman nor the other principals appear to be making any appreciable capital contribution. This entire project seems to be a 100% fully leverage purchase.
5. As a general comment on the financial presentation - Although there was obviously an extensive amount of effort in researching the assumptions going into the feasibility study, the financial projections lack clarity, consistency, and conformity with generally accepted accounting practices. Additional time would have to be spent to clearly understand the projections. However, two observations may be made:
 - a. Projected sales volume for the first year is approximately \$1,800,000 which is, in my opinion, excessively optimistic for even the most successful restaurateur.

22051 Rev. 1/74

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Page Two
Chappy's Athletic Club, Inc.
December 10, 1979

- b. The projected balance sheet reflects a "deficit net worth" when eliminating intangible assets.
- c. There are many more specific comments I could make but the above five points capsulize the most cogent observations.

Conclusions

Fred, as you are aware, MNB's loan policy specifically dictates avoidance of loans to under-capitalized businesses (see attached copy of loan policy). In addition, the Bank is directed to discourage loans "without adequate (collateral) margins or adequate regard for (collateral) marketability".

I believe this application reflects both of the above mentioned conditions. In addition, our experience with restaurant loans, even with acceptable capitalization and adequate collateral margins, has been very poor.

Recommendation

It is true that Mr. Chappy is requesting a 90% SBA guarantee which would limit the Bank's exposure to \$40,000. However, I do not feel the application contains information which would support a reasonable probability of success. Therefore, I could neither recommend that the SBA make the loan, nor recommend the Bank assume the \$40,000 risk.

SHM/sb

Attachments

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GENERAL CATALOGUE OF FURNITURE, FIXTURES, EQUIPMENT, and STOCK INVENTORY.

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MICHIGAN NATIONAL BANK OF DETROITLENDING POLICY

The Board of Directors and the management of the bank believe that sound loans are a desirable and profitable means of employing funds available for investment. Further, it is recognized that the lending of money by the bank is a community responsibility which involves a degree of business risk. The management of the bank is willing to undertake such risks, utilizing standard banking procedures and prudent judgement to effect the policies set forth by the Board of Directors.

The bank's loan policy is based on a sincere desire to render a money service to all qualified applicants. Loans so made shall be in an amount and for a length of time consistent with the applicants qualifications. These qualifications shall include, but not be limited to, the ability to pay, prior paying habits, character and security when used. Regardless of size, loans shall be made with or without collateral in accordance with a realistic appraisal of the facts. Programs to be adopted in connection with the general loan policy shall include: 1) the recognition by management of the necessity to maintain current, complete, and reliable credit information; 2) enforcement of the terms and conditions of the loan especially as relates to repayment; 3) periodic review, inspection, or administration after disbursement; 4) general diversification of the portfolio; 5) energetic pursuit of collection effort on charged-off loans; and 6) strict adherence to all rules and regulations of the Comptroller of the Currency, Federal Reserve Board, and F. D. I. C.

Michigan National Bank of Detroit complies with Fair Credit Billing, Home Mortgage Disclosure, Fair Credit Reporting, Truth in Lending (Regulation Z), the Equal Opportunity Act (Regulation B), by not discriminating in the extension of Credit on the basis of race, color, religion, national origin, marital status, sex or physical handicap. It is the policy of Michigan National Bank of Detroit to afford every applicant an equal opportunity to obtain a loan based on criteria which reasonably reflects the applicant's ability and willingness to meet debt obligations.

It shall be the general policy of the bank to avoid the types of "poor risk" loans listed below:

- 1) Loans to assist in becoming established in business. The borrower wants the bank to advance, part or all of the capital needed to start his business;
- 2) Loans based more on the expectation of successfully completing a business transaction than on actually existing net worth;

- 3) Loans for the speculative purchase of securities or goods, or similar non-productive loans;
- 4) Collateral loans carried without adequate margins or adequate regard for marketability;
- 5) Loans for carrying real estate transactions against equity ownerships and construction loans without a firm takeout commitment from a reliable permanent investor;
- 6) Loans made because of control of large balances on deposit in the bank and not based on sound net worth;
- 7) Loans that may be dollar good but, in the background, are weakened by a bad moral risk;
- 8) Loans predicated on the unmarketable stock of a local corporation when the bank is at the same time loaning directly to the corporation;
- 9) Insider loans for the benefit of controlling interests, officers or their friends, on terms far more generous than afforded the general public and to the detriment of the bank.

The Board of Directors shall from time to time appoint lending committees to act on loan requests in excess of individual lending authority. The dollar limit of such authorities granted committees and individual officers shall also be established by the Board of Directors. Appointments to these committees and the establishment of authorities shall be reviewed annually by the Board of Directors and shall set forth in a separate "policy memorandum" to all members of the lending staff.

Exh. F



MICHIGAN NATIONAL BANK
of Detroit

1000 West Grand Blvd. • Detroit, Michigan 48203
Telephone 313-562-2222 • Telex 212-282-2212

January 10, 1984

Mr. Willis V. Chapman
3516 Greenfield, Apt. 14
Detroit, Michigan 48215

Dear Mr. Chapman:

The enclosed loan package was referred to me by Mr. Fred Romanoff for review, and in fact was never considered as a loan application for credit. Therefore, we are returning this package to you at your request.

Very truly yours,

Stuart R. Mueller
Senior Vice President

SMY:an

Enclosure

cc: Fred Romanoff
A. Brown

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

Filed
10/27/81

WILLIS W. CHAPMAN,

Plaintiff,

vs

No. 79-74777

HON. PATRICIA J. BOYLE

MICHIGAN NATIONAL BANK OF DETROIT,
SUBSIDIARIE, AND MICHIGAN NATIONAL
CORPORATION, a bank holding company,

Defendants.

AFFIDAVIT OF THOMAS WAGNER

STATE OF MICHIGAN)
) SS
COUNTY OF OAKLAND)

THOMAS J. WAGNER, being first duly sworn, on oath
deposes and says that:

1. I am a Group Vice President of Defendant Michigan
National Bank of Detroit and have personal knowledge of the
facts stated herein.

2. I am aware that in 1976, loan arrangements between
Michigan National Bank of Detroit and Leonard Friedman were
restructured. Leonard Friedman is the individual referred by
the Plaintiff Willis W. Chapman in this case.

3. At that time, Mr. Friedman's obligations to Michigan
National Bank of Detroit were restructured to result in a term
loan for One Million Five Hundred Thousand (\$1,500,000.00)
Dollars.

4. The security for this loan was:

(a) A mortgage on property located at 7000 Lonyo Avenue, with an estimated Fair Market Value of \$400,000.00 to \$500,000.00; and

(b) A mortgage on property located on Military Street in Detroit with an estimated Fair Market Value of \$1,500,000.00 to \$1,700,000.00; and

(c) Three overhead cranes located at the Military Street property with an estimated Fair Market Value of \$100,000.00 to \$125,000.00.

5. In addition, Michigan National Bank of Detroit was aware at that time, and considered as highly relevant to its extension of credit to Mr. Friedman, that his net worth was approximately Sixteen Million (\$16,000,000.00) Dollars.

6. At no time did Michigan National Bank of Detroit grant to Mr. Friedman or, to my knowledge, any other person, any extension of credit secured by property appraised on a "replacement cost basis."

70-1157
THOMAS T. WAGNER

Subscribed and sworn to before me
this 27th day of October, 1981.

Doris F. Powers
Notary Public, _____ County, MI
My Commission Expires: _____

DORIS F. POWERS
Notary Public, Daviand County, Michigan
My Commission Expires Nov 3, 1982

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

*filed
1/18/82*

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

Civil Action No. 79-74777
Honorable Patricia J. Boyle

MICHIGAN NATIONAL BANK OF DETROIT
and
MICHIGAN NATIONAL CORPORATION,

Defendants.

ORDER GRANTING IN PART
AND TAKING UNDER ADVISEMENT IN PART
DEFENDANT'S MOTION FOR SUMMARY JUDGMENT

Plaintiff brings this action under the Equal Credit Opportunity Act, 15 U.S.C. § 1691, and the Civil Rights Act, 42 U.S.C. § 1981, alleging that Defendants discriminated against him in denying his application for a secured loan. Plaintiff alleges that Defendants undervalued his proffered collateral, a restaurant, that he sought to purchase with the loan money, and, also, that Defendants discriminated against him by applying a different formula, "replacement cost" appraisal, in valuing the collateral of white loan applicants, while Plaintiff's collateral was valued at fair market value.

In October of 1978, Plaintiff submitted a loan application to Defendant Michigan National Bank in order to finance his purchase of Larco's. Initially, Defendant refused to review Plaintiff's application for credit, informing Plaintiff that his application was not in proper form. Subsequently, Plaintiff resubmitted his application to Defendant through Michigan National Bank Vice President Fred Romanoff, and Defendant ultimately reviewed the application for credit. In denying Plaintiff's request for credit in the amount of Four Hundred Thousand Dollars (\$400,000), Defendant cited Plaintiff's prior bankruptcy proceedings, lack of other resources, prior defaulted

Small Business Administration loan and home mortgage and concluded that Plaintiff was a poor credit risk.

Defendants bring the instant motion to dismiss and motion for summary judgment (which this Court will treat as a motion for summary judgment since both sides have submitted affidavits) alleging that their rejection of Plaintiff's application was not discriminatorily motivated. Defendants state that, initially, Plaintiff's application was in improper form and was later rejected because Plaintiff was a bad credit risk. Furthermore, Defendants allege that there is no genuine issue of fact, that the assessment of Plaintiff's collateral on a market value basis was a permissible method of appraisal recognized by the Comptroller of the Currency, that Defendants do not generally value collateral on a "replacement cost" basis, and that Michigan National Bank did not discriminate against Mr. Chapman by appraising his collateral at market value while appraising the collateral of white borrowers by other methods.

The party moving for summary judgment has the burden of establishing the absence of any genuine issue of material fact. Adickes v. S. H. Kress & Co., 398 U.S. 144 (1970).

The Sixth Circuit has held: "In ruling on a motion for summary judgment, the court must construe the evidence in its most favorable light in favor of the party opposing the motion and against the movant. Further, the papers supporting the movant are closely scrutinized, whereas the opponent's are indulgently treated." Bohn Aluminum & Brass Corp. v. Storm King Corp., 303 F.2d 425, 427 (6th Cir. 1962).

Turning to Plaintiff's pleadings and drawing all reasonable inferences in favor of Plaintiff, the Court notes that, when liberally construed, Plaintiff's complaint raises two separable claims: that Defendants discriminated against Plaintiff in applying a different method of appraisal (market value rather than replacement cost) with respect to his collateral (Complaint ¶¶ 6 and 8a) and that Defendant undervalued Plaintiff's preferred

collateral in a discriminatory manner (Complaint, ¶ 6).

Considering Defendants' motion for summary judgment with respect to the former claim, the Court notes that Plaintiff's allegations are rebutted by the affidavits of Thomas Wagner, Group Vice President of Defendant Bank, and Fred Romanoff, Vice President of Defendant Bank. Specifically, with respect to Plaintiff's allegation that white loan applicant Leonard Friedman was allowed to appraise his proffered collateral on a replacement cost basis while Plaintiff was deprived of that opportunity, Mr. Wagner avers that he was aware of the loan arrangement between Friedman and Defendant and that "[a]t no time did Michigan National Bank of Detroit grant to Mr. Friedman or, to my knowledge, any other person, any extension of credit secured by property appraised on a 'replacement cost basis.'" Wagner Aff. ¶ 6.

Generally with respect to Defendant's method of appraisal, Defendants offer the averments of Mr. Romanoff:

Michigan National Bank of Detroit does not value collateral, in determining the need of collateralization of a loan for commercial purposes, on a "replacement cost" basis. This is because the purpose of collateral is to insure a source of funds adequate to pay unpaid principal and interest if the borrower defaults. The only way collateral can be converted to funds to pay such balances is for it to be sold, and commercial practice, required by law, is for collateral to be sold on the open market. Since replacement cost bears no relationship to what property will be sold for, it cannot prudently be used in any appraisal for collateral purposes.

Romanoff Aff. ¶ 9(b). The Court notes further that Plaintiff has pled no other instance in which a loan applicant was allowed to appraise collateral on a replacement cost basis. Accordingly, there being no genuine issue of material fact with respect to this claim, summary judgment is hereby GRANTED as to the allegations set forth in paragraphs 6 and 8a of Plaintiff's complaint.

Plaintiff raises a second claim in paragraph 8 of the complaint that Defendants discriminated against him by undervaluing the collateral Plaintiff offered to secure the loan. In support of this claim, Plaintiff alleges that Mr. Stuart Nahler, Senior Vice President of Defendant Bank, appraised

Plaintiff's collateral, Larco's Inn, at Seven Hundred Sixty-Nine Thousand Dollars (\$769,000), that the proposed loan was for only Four Hundred Thousand Dollars (\$400,000), and that at such an appraised value the collateral offered was more than sufficient to secure the loan.

Defendants' response to this claim is that the market value of the collateral is equal to the amount of the purchase price of Larco's, Five Hundred Thousand Dollars (\$500,000), and that, since Plaintiff was only required to make a down payment of Three Hundred Thousand Dollars (\$300,000) on Larco's, the proposed loan amounted to 100 percent financing of the transaction.

On the basis of the foregoing, I conclude that there is a genuine question of material fact as to whether Larco's should have been appraised at Seven Hundred Sixty-Nine Thousand Dollars (\$769,000), at Five Hundred Thousand Dollars (\$500,000), or at some other figure. Furthermore, Plaintiff has alleged that his proposed collateral was valued at less than fair market value and that the collateral of at least one white loan applicant, Leonard Friedman, was valued at an amount higher than fair market value. Counter Aff. to Aff. of Wagner ¶ 3. Plaintiff having set forth sufficient allegations by affidavit to raise a genuine issue of fact as to whether he was subjected to disparate treatment by Defendants in the valuation of his proposed collateral, Defendants' Motion for Summary Judgment as to this claim is hereby DENIED without prejudice, and Defendant is invited to file within ten (10) days of the date of this order supplemental affidavits clarifying the following disputed issues of fact: (1) whether or not Group Vice President Mahler appraised Larco's at Seven Hundred Sixty-Nine Thousand Dollars (\$769,000) as alleged by Plaintiff, (2) whether any portion of the Seven Hundred Sixty-Nine Thousand Dollar (\$769,000) appraisal figure represents replacement cost value, and (3) how the bank determines market value for loan purposes.

In the event that Defendants file supplemental affidavits on the foregoing issue, Plaintiff is hereby granted leave to file supplemental counter-affidavits in response within ten (10) days of Defendants' supplemental filings.

Accordingly, Defendant's Motion for Summary Judgment is GRANTED as to Plaintiff's claims set forth in paragraphs 6 and 8a of the Amended Complaint and taken under advisement as to the remainder of Plaintiff's Amended Complaint.

If the motion is ultimately denied, Defendants shall submit an Answer to Plaintiff's Amended Complaint, filed with the Court on August 24, 1981, within ten (10) days of the entry of such order.

IT IS SO ORDERED.

Date: 28 JAN 1982
Detroit, Michigan

Patricia J. Boyle
PATRICIA J. BOYLE
United States District Judge

A TRUE COPY

U. S. DISTRICT COURT
DISTRICT OF MICHIGAN

BY *JMP* DEPUTY CLERK

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

Filed
2/14/82

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

Case No. 79-74777
Hon. Patricia Boyle

MICHIGAN NATIONAL BANK,
Subsidiary of MICHIGAN
NATIONAL CORPORATION,

Defendants.

SUPPLEMENTAL AFFIDAVIT OF
JOSEPH DROBOT

STATE OF MICHIGAN) SS
COUNTY OF OAKLAND)

JOSEPH DROBOT, being first duly sworn, on oath deposes and
says:

1. I am an officer of Defendant Michigan National Bank of
Detroit and is competent to testify to the matters stated
herein.

2. As stated in his Affidavit of October 5, 1981, I was
present at a meeting with Plaintiff Willis W. Chapman, at which
Group Vice President Stuart Mahler was also present. The purpose
of this meeting was to review an application for SBA insured loan
made by Plaintiff Willis W. Chapman that was previously not
accepted for consideration by Michigan National Bank of Detroit.

3. As stated in my Affidavit of October 5, 1981,

"The purpose of the review conducted by Mr.
Mahler and I was to review the documents sub-
mitted previously by Mr. Chapman and to inform
him why they could not even be considered as
[an application]..."

4. Since this review, and the meeting thereafter, were not for the purpose of considering the extension of credit to Plaintiff Willis W. Chapman, but rather to explain to Plaintiff why his previous application had not been accepted, no formal or informal appraisal of any property, including "Larco's Inn" was ever undertaken by Defendant Michigan National Bank of Detroit.

5. During the meeting with Plaintiff, Deponent and Stuart Mahler discussed the value of the property as suggested by Plaintiff as collateral based upon the statements of value contained in his SBA Loan Application. Since no appraisal was undertaken, no other valuation was used for purposes of the discussions with Plaintiff, but Defendant Michigan National Bank of Detroit, by using Plaintiff's valuation for discussion purposes, did not adopt them as true.

6. Since no appraisal was conducted, the Court's question in its Order of January 28, 1982, whether "any portion of the Seven Hundred Sixty Nine Thousand (\$759,000.00) Dollar appraisal figure represents replacement cost value" is not applicable. However, the documents submitted by Plaintiff Willis W. Chapman in his SBA Loan Application indicates that the Net Book Value of the property was \$818,792.00, Affidavit of Fred Romanoff, Exhibit A thereto, "Summary of Collateral", and the financial statements submitted by Plaintiff to that application indicated the book value of the building, land, equipment, furniture and fixtures to be \$1,249,362.00. While these figures were neither supported by an appraisal nor accountant's certificate tendered by Plaintiff, and could not be accepted as true by Defendant Michigan National Bank of Detroit, they suggest that even Plaintiff Willis W. Chapman did not believe the replacement cost to be \$769,000.00.

7. The review resulted in several conclusions regarding the inability to grant a loan to Mr. Chapman, as stated in the memorandum of Stuart Mahler, attached to the Affidavit of Fred Romanoff as Exhibit C, which include insufficient collateral, but also note:

- (a) Mr. Chapman's lack of restaurant experience;
- (b) Mr. Chapman's indication on the SBA Loan Application of prior insolvency proceedings and possible criminal record, which would inhibit his ability to obtain a liquor license;
- (c) Mr. Chapman's insufficient liquidity or other-asset equity;
- (d) The absence of any contribution to capital by Mr. Chapman, resulting in 100% funding by the proposed loan and
- (e) Excessively optimistic, and hence unreliable, financial projections and a deficit net worth.

FURTHER DEPONENT SAITH NOT.

Joseph Probst
JOSEPH PROBST

Subscribed and sworn to before
me this 4th day of February, 1982.

John Edward Foyt
Notary Public, State of California
My commission expires: 11/17/82

24182
filed 2/4/82

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WILLIS W. CHAPMAN,

Plaintiff,

-vs-

MICHIGAN NATIONAL BANK,
Subsidiary of MICHIGAN
NATIONAL CORPORATION,

Defendants.

Case No. 79-74777
Hon. Patricia Boyle

SUPPLEMENTAL AFFIDAVIT OF
THOMAS J. WAGNER

STATE OF MICHIGAN)) ss
COUNTY OF OAKLAND)

THOMAS J. WAGNER, being first duly sworn, on oath deposes
and says:

1. He is an officer of Defendant Michigan National Bank of
Detroit and is competent to testify to the matters stated herein.

2. Defendant Michigan National Bank of Detroit determines
the market value of real property for loan purposes by engaging
the services of an independent real estate appraiser and commis-
sioning that person to present a certified appraisal of such
property as to the market value thereof.

FURTHER DEponent SAITH NOT.

2-11/82
THOMAS J. WAGNER

Subscribed and sworn to before
me this 9 day of February, 1982.

E. Bolte
Notary Public #555 E. BOLTE
Oakland County, Michigan
My Commission Expires: 11/24/82

Any national banking association may make real estate loans subject to the provisions of 12 U.S.C. 371. These loans generally can be classified as loans primarily secured by real property. The law recognizes different types of real estate loans, and, therefore, imposes different limitations and restrictions on them. However, banks may invest a certain amount in real estate loans without regard to legal title or restrictions. Therefore, it is incumbent upon the bank to make appropriate real estate loans into:

- Loans secured by a first lien on real property, or
• Liens on real property or easements secured by
other than first liens.
- Loans secured by liens on forest tracts.
- Loans insured or guaranteed by government
agencies.
- Loans granted on the general credit standing
and forecast of income of the borrower which
are secured by liens on real estate as a prudent
banking practice. Such loans are not considered
real estate loans.
- Loans secured by assigned real estate obligations
of others pledged to the bank. Such loans
are not subject to the provisions of 12 U.S.C. 371
unless the borrower and the mortgagor are the
same.
- Real estate construction loans. Such loans re-
quire special considerations and are discussed
in more detail in "Real Estate Construction
Loans."
- Real estate loans secured by liens on real prop-
erty but in violation of the loan amount to
increased value limit of individual, business and
of the amortization requirements imposed by 12
U.S.C. 371.

Real Estate Loan Policy

The bank must also establish a policy that defines:

- The maximum amount that may be loaned on a
given loan.
- The maximum aggregate amount that may be
loaned in a given category.
- The maximum aggregate amount that may be
loaned on all real estate loans.

Comptroller's Handbook for National Bank Examiners

• The need for amortization on certain loans and
the amount of annual or biannual secured loans.
The degree of loan amortization on real estate can depend on the loan amount, the interest rate, and
other special terms. A computation of the value of
the real property over the life of the loan is of
major importance.

The bank's policies and procedures should include
an appraisal program. Appraisals are professional
judgments of the present and/or future value of the
real property. The following are the general ap-
praisals used to determine value:

- Cost Approach—in this approach, the replacement
cost of the building and improvements is
estimated, estimated depreciation is deducted
and the value of the site is added. The reliability
of such an valuation depends on an appraiser's
skill. As the property increases in age, both re-
placement cost and depreciation become more
difficult to estimate.

- Market Data or Direct Sales Comparison Approach—The essence of this approach is to determine the price that similar properties have
sold for recently on the local market and through an appropriate adjustment process, to estimate the fair market value of the subject property based on these comparable sales. In general, when recent sales are available, an appraiser will give the most weight to this type of estimate; however, when the available market data is not sufficient to justify a conclusion, as compared to a "terms of occupancy" characteristics, market financing, terms, or timing of sales data decreases, the reliability of estimates based on such factors also decreases.

- Capitalization of Income Approach—in this approach, the net income is taken, & expected to produce over time a capital and an estimate of its present value. The accuracy of this method depends on the appraiser's skill in estimating the anticipated future net income of the property, and
in selecting the correct capitalization rate and method.

• Valuing sometimes more than one appraisal method is used and at other times only one may be used to estimate the present and/or future value of real property; however, an appraiser is only one factor to consider in granting credit on real estate.

The bank's real estate loan (a) should ensure that loans are granted with the reasonable prospect of the debtor will be able and willing to meet the payment terms. Any loan that does not meet these standards should be regarded as unsound regardless of the security value and favorable ratio of collateral available to the outstanding loan.

Unsound Mortgage Loans

A first mortgage loan generally is unsound if:

- its liquidation depends on the sale of the underlying real estate.
- The amount of the loan is large relative to the fair value of the property.
- The ability of the obligor to pay is questionable.
- The loan has remained constant a long time, indicating that its transfer to another obligor through the sale of the ready will become necessary.

Other elements such as interest and tax arrearages can be significant, but they are generally correlates of the situations outlined above.

A principal indication of an unsound real estate loan is an improper relationship between the amount of the loan, the potential sale price of the property and the availability of a market. The potential sale price of a property may or may not be the same as its appraised value. In dealing with unsound mortgage loans, the current potential sale price or liquidating value of the realty is of primary importance and the appraised value is of secondary importance. There may be no or no current demand for the property at its appraised value and it may have to be disposed of at a sacrifice value.

A mortgage loan should be considered "potential other real estate" when the examiner is reasonably convinced that it will have to be liquidated or a sale of the ready and when no reasonably tangible and definite arrangements for that sale have been made. The term "mortgagor in possession" refers to one who has lawfully acquired possession of mortgaged premises to enforce the security on such property. When a mortgagor receives the rents or other profits generated by the property it is not a "mortgagor in possession" unless control of the real estate is removed from the hands of the mortgagor. Generally a bank that is considered as "mortgagor in possession"

is not collecting the rents or operating the mortgaged property and has ceased to look to the mortgagor for payment of the loan.

All mortgage loans in which a bank is mortgagee in possession should be considered as potential "other real estate." A bank should not carry such loans for unwarranted periods of time because that conceals the true status of the property. If reasonably solid prospects for transfer or sale of the property and the assumption of the bank's obligation by a new obligor do not develop within a short time, for example 6 months, steps should be taken to acquire the loan and to transfer the asset to "other real estate owned." If the bank refuses to do that, such loans should be classified as "other real estate" in the record of examination and the bank should be requested to show them as "other real estate" in their published records of condition. For additional considerations relating to such assets, see the section "Other Real Estate Owned."

Historically, many banks have jeopardized their capital structures by granting ill-considered real estate mortgage loans. Apart from unusual, localized, adverse economic conditions which could not have been foreseen resulting in a temporary or permanent "wash out" of ready values, the principal errors made in granting real estate loans have included:

- inadequate regard to normal, or even depressed, ready values during periods when it is in great demand, thus causing the once structure.
- inadequate regard to mortgage loan amortization.
- inadequate regard to the maximum debt load and paying capacity of the borrower.
- Failure to reasonably restrict mortgage loans on properties for which there is little demand.

Examiners must assume not only individual mortgage loans, but also the "overall" mortgage lending and administration policies of the bank to ascertain the relative soundness of its mortgage loan operations.

The Office of the Comptroller of the Currency (OCC) recognizes and approves of the fact that, in a majority of national banks, the nucleus of the loan portfolio is in real estate mortgage loans. Any comments or criticisms of real estate loans should be confined to

The risk of a particular loan depends on the risk of a group of real estate loans if it is only a single property structure, liquidity of specific loans, holding of aggregate real estate loans in violation of 12 USC 3771 and similar items. Adverse comment on real estate loans as such is against the established policy of the CCC.

The most convincing proof of the quality and soundness of a real estate mortgage loan is a favorable payment history. Conversely, a long contract real es-

ate mortgage loan is never desirable, no matter how liquidly protected by the value of the underlying realty. The regular amortization of real estate mortgage loans is essential to their continued soundness and practicability. A few bankers continue to look at only the income earning factor of mortgage loans and are unconcerned about principal reductions; that is a dangerous policy which the examiner should exert every effort to correct.

§ 1691. Scope of prohibitions

Activities constituting discrimination

(a) It shall be unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction—

- (1) on the basis of race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract);
- (2) because all or part of the applicant's income derives from any public assistance program; or
- (3) because the applicant has in good faith exercised any right under this chapter.

Activities not constituting discrimination

(b) It shall not constitute discrimination for purposes of this subchapter for a creditor—

- (1) to make an inquiry of marital status if such inquiry is for the purpose of ascertaining the creditor's rights and remedies applicable to the particular extension of credit and not to discriminate in a determination of credit-worthiness;
- (2) to make an inquiry of the applicant's age or of whether the applicant's income derives from any public assistance program if such inquiry is for the purpose of determining the amount and probable continuance of income levels, credit history, or other pertinent element of credit-worthiness as provided in regulations of the Board;
- (3) to use any empirically derived credit system which considers age if such system is demonstrably and statistically sound in accordance with regulations of the Board, except that in the operation of such system the age of an elderly applicant may not be assigned a negative factor or value; or
- (4) to make an inquiry or to consider the age of an elderly applicant when the age of such applicant is to be used by the creditor in the extension of credit in favor of such applicant.

Additional activities not constituting discrimination

(c) It is not a violation of this section for a creditor to refuse to extend credit offered pursuant to—

- (1) any credit assistance program expressly authorized by law for an economically disadvantaged class of persons;

(2) any credit assistance program administered by a nonprofit organization for its members or an economically disadvantaged class of persons; or

(3) any special purpose credit program offered by a profit-making organization to meet special social needs which meets standards prescribed in regulations by the Board;

if such refusal is required by or made pursuant to such program.

Reason for adverse action; procedure applicable; definition

(d)(1) Within thirty days (or such longer reasonable time as specified in regulations of the Board for any class of credit transaction) after receipt of a completed application for credit, a creditor shall notify the applicant of its action on the application.

(2) Each applicant against whom adverse action is taken shall be entitled to a statement of reasons for such action from the creditor. A creditor satisfies this obligation by—

(A) providing statements of reasons in writing as a matter of course to applicants against whom adverse action is taken; or

(B) giving written notification of adverse action which discloses (i) the applicant's right to a statement of reasons within thirty days after receipt by the creditor of a request made within sixty days after such notification, and (ii) the identity of the person or office from which such statement may be obtained. Such statement may be given orally if the written notification advises the applicant of his right to have the statement of reasons confirmed in writing on written request.

(3) A statement of reasons meets the requirements of this section only if it contains the specific reasons for the adverse action taken.

(4) Where a creditor has been requested by a third party to make a specific extension of credit directly or indirectly to an applicant, the notification and statement of reasons required by this subsection may be made directly by such creditor, or indirectly through the third party, provided in either case that the identity of the creditor is disclosed.

(5) The requirements of paragraph (2), (3), or (4) may be satisfied by verbal statements or notifications in the case of any creditor who did not act on more than one hundred and fifty applications during the calendar year preceding the calendar year in which the adverse action is taken, as determined under regulations of the Board.

(6) For purposes of this subsection, the term "adverse action" means a denial or revocation of credit, a change in the terms of an existing credit arrangement, or a refusal to grant credit in substantially the amount or on substantially the terms requested. Such term does not include a refusal to extend additional credit under an existing credit arrangement where the applicant is delinquent or otherwise in default, or where such additional credit would exceed a previously established credit limit.

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